

CITY OF CHOICE



PIETERMARITZBURG
MSUNDUZI

Msunduzi Municipality Annual Report 2008/09



The Dynamic, Caring Capital City of Choice in KZN

The Dynamic, Caring Capital City of Choice in KZN

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LIST OF ABBREVIATIONS:

| | |
|----------------|---|
| DMM | - Deputy Municipal Manager |
| Dplg | - Department of Provincial and Local government; |
| SBU | - Strategic Business Unit; |
| WSP | - Workplace Skills Plan; |
| LG SETA | - Local Government Sector Education and Training Authority; |
| HDI | - Historically Disadvantaged Individual; |
| UNISA | - University of South Africa; |
| NQF | - National Qualification Framework; |
| MOU | - Memorandum of Understanding; |
| IDP | - Integrated Development Plan; |
| MFMA | - Municipal Financial Management Act; |
| AIPF | - Associated Institution Pension Fund; |
| SALAPF | - South African Local Authorities Pension Fund; |
| MCPF | - Municipal Councillors Pension Fund; |
| CLLR | - Councillor |
| AIDS | - Aquired Immuno Deficiency Syndrome |
| SAPS | - South African Police Services |
| NPA | - National Prosecuting Authority |
| PMB | - Pietermaritzburg |



CHAPTER ONE: INTRODUCTION & OVERVIEW

1.1 FOREWORD BY THE HONOURABLE MAYOR, CLLR ZANELE HLATSHWAYO

With the new national and provincial governments now well into their first 100 days, we have seen both changes and continuity of local government. Our vision as a city, that is in transition to become a metropolitan municipality, is driven by the changing needs of our community and new challenges to meet the needs of a city that is a seat of the political and administrative capital of the province. Therefore it is imperative that our city is enabled to access more resources in order to improve the quality of life of all who live and work within our municipality. We have seen a large exodus of professionals into our city for the past five years as most provincial departments head offices moved into the city and this has created the dire need for accommodation and office space and access to the city has proved to be a dire challenge, more in particular the lack of parking space. We are aware of this problem and the impact it has on business trading in the Central Business District (CBD) and our municipality is giving this problem a priority attention.



**City Mayor
Zanele Hlatshwayo**

We have made a significant stride in enabling the people of this city to realise life with dignity as underlined by the values and principles of the freedom charter and the constitution of the republic and this includes the substantial improvements in the provision of water, electricity and sanitation. We have laid a strong foundation and we are on course to improving the lives our communities.

As we celebrate the dawn of the new era, the time that epitomises the evolution of our democracy, we must never lose sight of the challenges that we, and our community still face : HIV and AIDS, children and women abuse, high level of unemployment more particular the youth. Our fight against poverty and underdevelopment will further be intensified as we work towards halving unemployment by 2014.

As local government, we are at the coal face of service delivery and we will continue to engage in both progressive and meaningful izimbizo discussions, as a platform for participation with communities, to shape a clear path from which our governance, and development plan will draw guidance and direction. The council will continue to seek and engage community participation programmes to ensure our plans are in line with community needs, priorities and expectations.

As municipality, we put greater emphasis on planning, co-ordination, monitoring and evaluation in line with the priorities of the provincial and national government.

We must, as President Zuma said, hold ourselves to the highest standards of service, probity and integrity to effectively implement our mandate and fulfill the dreams and aspirations of our people who voted on 22 April 2009. Together we can do more.



1.2 OVERVIEW BY MUNICIPAL MANAGER

2008/2009 has been a very challenging year for South African municipalities, and the Msunduzi Municipality was certainly not an exception.

While economists debated whether our country would be spared from the economic catastrophe which befell America and Europe, and then even when the signs were clear, debated whether we were in recession yet or not, our municipalities began to feel a sharp pinch.

Given that our municipalities have to substantially raise their own revenue, and operate balanced budgets, any loss of revenue is serious. When revenue is limited to rates on property and tariffs for services, and when residents and businesses alike, start to use less electricity, for instance, and when residents begin to default in terms of their monthly payments, then municipalities are soon in distress, as they are soon obliged to use reserves.

In a nutshell that is happened in our municipality in 2008/09, as the economic recession, along with the demand for development, delivery and maintenance, in a municipal area of marked inequalities, strained us almost to our limit. In hindsight, we should have curbed, or at least slowed down our rate of expenditure, on both our capital and operating budgets. We should have budgeted for more rates income from business properties, but that too is hindsight. Thus, although achieving virtually 100% expenditure of both our Municipal Infrastructure Grant and Council – funded capital budget, was a significant achievement, it too strained our reserves.

Given our backlogs and maintenance needs, our municipality has to develop the financial and human capacity to fully afford and expend a capital budget of some R600 million – rather than our current R300 million capital budget. It's a tall order, but it is absolutely essential, or our assets will simply deteriorate to beyond repair.

Therefore, although the attainment of an unqualified audit, and compliance with the plethora of regulations and deadlines, is important, what is essential is to grow our revenue and limit our expenditure, such that we are capable of affording and expending a R600 million capital budget! If we learn this lesson from 2008/09, then we can look forward with confidence.

Despite repeatedly negative reporting by the local media, this report documents real delivery and development, on an unprecedented scale. The prime example is the Vulindlela Tribal Area, which covers one third of our municipal area, and is home to one third of our population. Set aside in 1848, this area has been largely neglected, but during 2008/09 our municipality tarred eleven roads, and installed some 10 000 VIP toilets in this tribal area. We have certainly improved, quite dramatically, mobility and sanitation in Vulindlela. In other parts of the city we have also significantly reduced backlogs, and embarked on replacing electricity transformers and fire engines. Therefore, without in any way resting on our laurels, and recognizing the need for improvement in all areas of our operation, we can claim that, despite all the challenges, we delivered a great deal in a difficult year, and for that many municipal staff deserve our thanks.



**Municipal Manager
Rob Haswell**



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1.2.1 VISION STATEMENT

By 2017 to be a Globally Competitive Metropolitan City of Choice which capitalises on its Strategic Location, Environment, Cultural Heritage and Educational Facilities Creating a choice Quality of Life for all.

1.2.2 MISSION STATEMENT

The mission for the Msunduzi Municipality is to facilitate the provision of service by:

- Community Participation
- Social and Economic Development growth
- Safety, Security and caring for those infected and affected by HIV and AIDS and promoting an HIV and AIDS free generation
- Sustainable Service Delivery
- Sound Finance
- Sound Governance
- Sustainable Environment Management

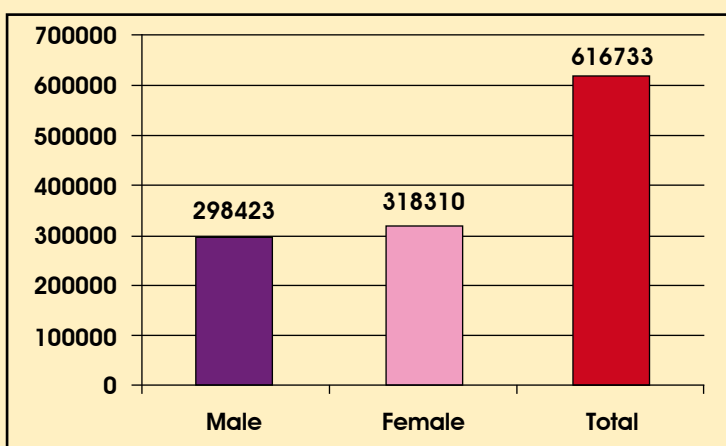
1.2.3 LOCALITY

With 649sq km in size, Msunduzi municipality commonly known as the “City of Choice” is located along the N3 corridor at a junction from Durban and Pietermaritzburg and an agro-industrial corridor stretching from Pietermaritzburg to Escourt. It is located at the cross section of N3 and Greytown Road corridor to the north, a tourist route to the Drakensburg and Kokstad Road to the South. It is the second largest city in Kwazulu-Natal, a capital city of the Province, and one of the ninth largest Cities in South Africa that are contributing almost 80% of the country's GDP, and it is the main economic hub within Umgungundlovu District. Its location has strong influence on regional channels of investment, movement and structuring of the provincial spatial framework for economic development and growth.

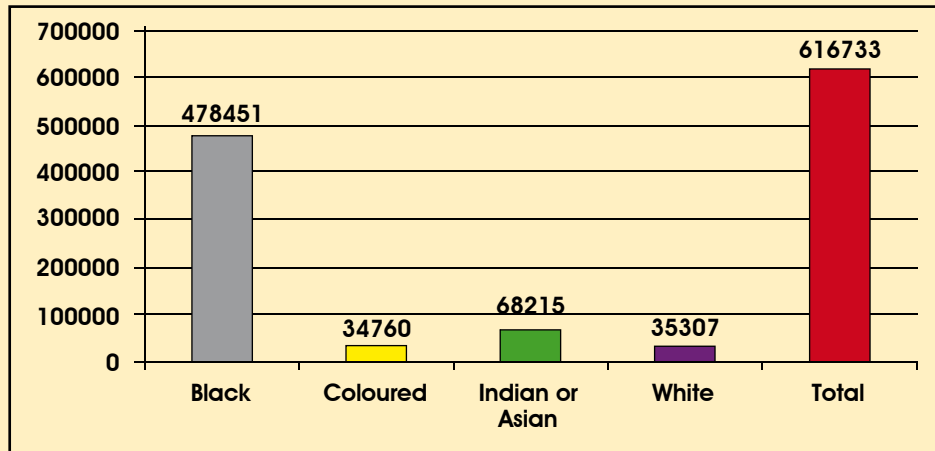
1.2.4 THE POPULATION OF MSUNDUZI

Total Population: 616733

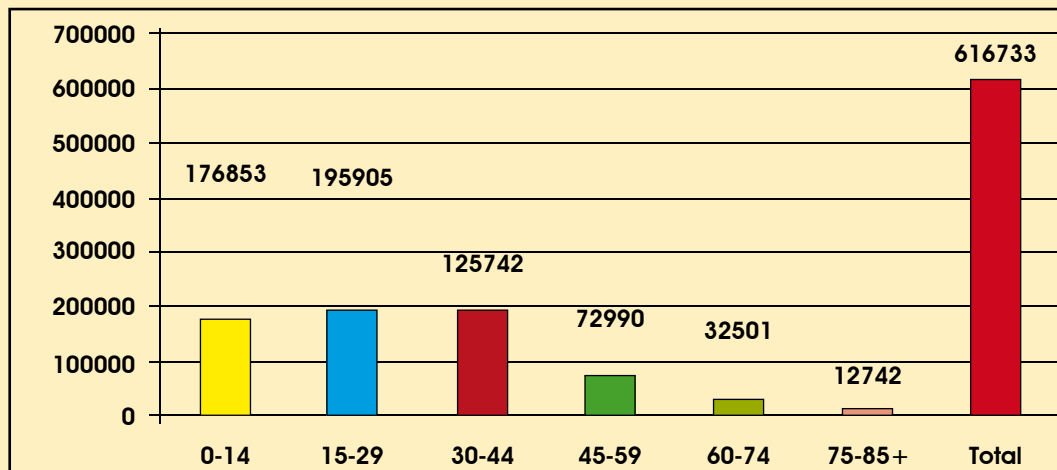
Population by Gender:



Population by Race:



Population by Age:



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1.2.5 HOUSEHOLD & HOUSEHOLD SERVICES

| Total Number of Households | |
|----------------------------|--------|
| Community Survey 2007 | 108227 |

Water Service level: Community survey 2007

| | |
|--|--------|
| Inside Dwelling | 79 813 |
| Inside Yard | 33 601 |
| Piped water from access point outside the yard | 14 688 |
| Borehole | 1 100 |
| Spring | 1 126 |
| Dam/pool | 265 |
| River/stream | 1 555 |
| Water vendor | 733 |
| Rain water tank | 202 |
| Other | 1 308 |

Toilet Facilities: Community Survey 2007

| | |
|-----------------------------------|--------|
| Flush toilet (with septic tank) | 5 875 |
| Dry toilet facility | 13 613 |
| Pit toilet with ventilation (VIP) | 6 307 |
| Pit toilet without ventilation | 22 458 |
| Chemical toilet | 2 300 |
| Bucket toilet system | 414 |
| None | 1 362 |

Electricity Service Level

| | |
|-------------|--------|
| Electricity | 117051 |
| Gas | 2088 |
| Paraffin | 10209 |
| Wood | 4592 |
| Coal | 250 |
| Animal dung | 69 |
| Solar | 59 |
| Other | 71 |



CHAPTER TWO: COUNCIL AND THE EXECUTIVE

Msunduzi Municipality – Executive Committee



City Mayor
Zanele Hlatshwayo



Deputy Mayor
Mervin Dirks



Ntombazonke Mbatha



Themba Zungu



Tholakele Dlamini



Gerrit Meyer



Pops Chetty



Bill Lambert



Roger Ashe



Dolo Zondi



Speaker
Alpha Shelembe



Chief Whip
Sehla Ngubane

Msunduzi Municipality Councillors



D. Ngubane



P. Moon



D. Buthelezi



B. Ndlovu



S. Lyne



E. Mzila



R. Khanyile



R. Singh



H. Ngubane



B. Sokhela



N. Atwaru



B. Mazibuko



M. Msimang



M. Thebolla



M. Chetty



D. Hlongwane



M. Zungu



H. Rader



T. Zuma



Z. Dlamini



D. Lushozi



U. Mtshangase



J. Lawrence



M. Dladla



B. Baijoo



M. Ngcobo



M. Maphumulo



M. Inderjit



P. Jaca



S. Mkhize



L. Ngcobo



F. Zuma



S. Radebe



N. Ahmed



C. Seymour



S. Mkhize



B. Shoji



T. Magubane



P. Green



T. Zondi



B. Zuma



H. Olivier



L. Naidoo



S. Ntuli



S. Madondo



S. Majola



B. Singh



M. Mkhize



M. Mchunu



N. Dube



H. Khambule



S. Gabela



G. McArthur



N. Bhengu



H. Zondi



S. Majola



T. Ntombela



D. Ryder



C. Bradley

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2.1 Overview:

The function of the Executive and Council within the Municipality is to govern the policy-making process and oversee the implementation thereof within Council. The Executive Committee is involved in approval of operational matters and provides assurance to Council that the Vision, Mission and Objectives of Council, as contained in the Integrated Development Plan (IDP), are being met.

2.2 Description of the Activity:

The Full Council (consisting of 73 Councillors) meetings are held once per month and the the Executive Committee (EXCO) (consisting of 10 Councillors) meetings are held every two weeks. The agenda and minutes are compiled by the City Secretariat and are circulated prior to each meeting. The Council and EXCO meetings are attended by the Municipal Manager, senior management (Deputy Municipal Managers-DMMs) and other officials who may be required to give background and/ or explanation in respect of certain items on the agenda from time to time.

2.3 Strategic Objectives:

The strategic objectives of the Executive and the Council is to ensure that the Municipality fulfils its legal obligation in terms of s152 of the Constitution and that the Council is focused on ensuring that the Municipality delivers on this mandate in the most cost effective and sustainable manner.

2.4 Analysis of the Function:

| 1. Council details: | Number |
|--|--------|
| Total number of Councillors | 73 |
| Number of Councillors on Executive Committee | 10 |

| 2. Ward details | Number |
|-------------------------|---|
| Total number of Wards | 37 |
| Number of Ward Meetings | Approximately 444 (12 meetings per ward) |

| 3. Number and type of Council and Committee meetings | Number |
|--|--------|
| Full Council | 1 |
| Executive Council | 4 |
| Finance Committee | 2 |
| Infrastructure, Services & Facilities | 2 |
| Community Services & Social Equity | 2 |
| Sound Governance & Human Resources | 2 |
| Economic Development & Growth | 2 |
| Corporate Strategic Planning | 2 |



CHAPTER THREE: REPORT OF THE DEPUTY MUNICIPAL MANAGER – FINANCE

It is with pleasure that I present the report on the financial results of The Msunduzi Municipality for the financial year ended 30 June 2009.

The past year has seen, in addition to the usual ever increasing service delivery challenges that face the City two new challenges, which for the first time not only affected the Msunduzi Municipality, but all municipalities in the country. The huge electricity tariff increase imposed by Eskom, and the global recession had a major impact on the local economy and all the residents within the city.

Despite these huge constraints, which put a huge strain on our finances, the Municipality, was still able to meet the myriad of challenges, and more importantly, the City and its people, were the major beneficiaries of numerous developments that were put in place.

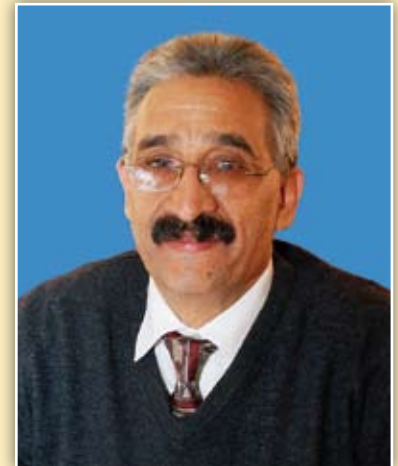
Some of the achievements during 2008/2009 included the granting of auto-indigent status to some 37 000 of the poorest households throughout the City by increasing the threshold for indigent status from R 30 000 to R 60 000. In addition areas that had no electricity supply, alternate sources of energy were made available to individual households in the form of gel stoves.

For the first time in many years, the Municipality was able to spend virtually its entire Capital budget on all projects funded by Council and projects funded from the Municipal Infrastructure Grant. In so doing the Municipality has made great strides in reducing its backlogs in respect of roads, VIP toilets, housing and sanitation. The Municipality embarked on a program to replace the old electricity transformers and its ageing fleet of fire engines.

In respect of its operating budget, despite reduced income levels and collections, the Municipality was able to spend its entire budget and it must also be stated that, despite all the negative reporting on its cash position by the local media, The City was able to meet all its financial obligations throughout the year and has yet to renege on any payment.

Looking ahead to the new financial year numerous new challenges face the Municipality, the major ones being the latest huge Eskom increase, the implementation of the Municipal Property Rates Act (MPRA) and most importantly ensuring that the Municipality achieves full compliance with the new accounting standards thereby ensuring that a clean audit opinion is re-instated.

I wish to express my thanks to all my valued staff members, fellow colleagues and Councillors for all their assistance and support during a very difficult year.



DMM: Finance
Roy Bridgemohan



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3.1 CONSOLIDATED ANNUAL FINANCIAL STATEMENTS

General Information The Msunduzi Municipality

| | |
|-----------------------------|---|
| Legal form of entity | Municipality |
| Executive Committee | Mayor - Z Hlatshwayo Deputy Mayor - M. Dirks Member - R Ashe Member - K Chetty Member - TI Dlamini Member - WF Lambert Member - F Mbatha Member - GJN Meyer Member - D Zondi Member - TI Zungu |
| Councillors | Speaker - A Shelembe Whip - BS Ngubane N Ahmed N Atwaru V Baijoo P Bhengu C Bradley D Buthelezi M Chetty MJ Dladla ME Dlamini NV Duze SC Gabela JEP Green MD Hlongwane M Inderjith PV Jaca AH Kadir VK Khambule RT Khanyile J Lawrence ID Lushozi SP Lyne SI Madonda VT Magubane ZH Magubane SJ Majola ST Majola M Maphumulo RB Mazibuko G McArthur M Mchunu MB Mkhize SA Mkhize CS Mkhize PW Moon |



Councillors

ML Msimang
E Mzila
SN Naidoo
BA Ndlovu
LC Ngcobo
SME Ngcobo
DH Ngubane
I Ngubane
TD Ntombela
MV Ntshangase
S Ntuli
K Olivier
SV Radebe
DF Ryder
SJ Seymour
BP Shoji
AS Sibisi
R Singh
RB Singh
BC Sokhela
MM Thebolla
GH Zondi
T Zondi
B Zuma
FB Zuma
TR Zuma
TRM Zungu

Accounting Officer

R.F. Haswell

Grading of local authority

Category - B

Chief Finance Officer (CFO)

K. Bridgmohan

Registered office

The City Hall
260 Church Street
Pietermaritzburg
3200

Business address

The City Hall
260 Church Street
Pietermaritzburg
3200

Postal address

City Hall
Private Bag x321
3200

Controlling entity

Safe City Pietermaritzburg

Bankers

First National Bank

Auditors

The Auditor General

Telephone number:

(033) 392 2006

Facsimile:

(033) 392 2208

Website:

www.msunduzi.gov.za



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Abbreviations

| | |
|-------|---|
| ASB | Accounting Standards Board |
| CBD | Central Business District |
| COID | Compensation for Occupational Injuries and Diseases |
| CPI | Consumer Price Index |
| CRR | Capital Replacement Reserve |
| DBSA | Development Bank of South Africa |
| DSB | Development Services Board |
| FNB | First National Bank |
| GRAP | Generally Recognised Accounting Practice |
| HDF | Housing Development Fund |
| IAS | International Accounting Standards |
| IPSAS | International Public Sector Accounting Standards |
| KZN | Kwazulu-Natal |
| ME's | Municipal Entities |
| MFMA | Municipal Finance Management Act |
| MIG | Municipal Infrastructure Grant |
| NATIS | National Traffic Information System |
| NCT | Natal Co-operative Timber Tree Farming (Pty) Ltd |
| NJMPF | Natal Joint Municipal Pension Fund |
| NPA | Natal Provincial Administration |
| PAYE | Pay As You Earn |
| RMB | Rand Merchant Bank |
| UIF | Unemployment Insurance Fund |
| VAT | Value Added Taxation |



Accounting Officer's Responsibilities and Approval

The accounting officer is required by the Municipal Finance Management Act (Act 56 of 2003), to maintain adequate accounting records and is responsible for the content and integrity of the annual financial statements and related financial information included in this report. It is the responsibility of the accounting officer to ensure that the annual financial statements fairly present the state of affairs of the municipality as at the end of the financial year and the results of its operations and cash flows for the period then ended. The external auditors are responsible for reporting on the fair presentation of the annual financial statements.

The annual financial statements have been prepared in accordance with the Standards of Generally Recognised Accounting Practices (GRAP). The annual financial statements are based upon appropriate accounting policies consistently applied and supported by reasonable and prudent judgements and estimates.

The accounting officer acknowledges that he is ultimately responsible for the system of internal financial control established by the municipality and places considerable importance on maintaining a strong control environment. To enable the accounting officer to meet these responsibilities, the accounting officer sets standards for internal control aimed at reducing the risk of error or loss in a cost effective manner. The standards include the proper delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties to ensure an acceptable level of risk. These controls are monitored throughout the municipality and all employees are required to maintain the highest ethical standards in ensuring that the municipality's business is conducted in a manner that in all reasonable circumstances is above reproach. The focus of risk management in the municipality is on identifying, assessing, managing and monitoring all known forms of risk across the municipality. While operating risk cannot be fully eliminated, the municipality endeavours to minimise it by ensuring that appropriate infrastructure, controls, systems and ethical behaviour are applied and managed within predetermined procedures and constraints.

The accounting officer has reviewed the municipality's cash flow forecast for the year to 30 June 2009 and, in the light of this review and the current financial position, he is satisfied that the municipality has or has access to adequate resources to continue in operational existence for the foreseeable future.

The decrease in working capital can be attributed to Council funding its capital expenditure from its own reserves and only raising the long term loan in the next financial year. In light of the current economic conditions, the municipality challenged with many defaulting consumers and this had dire impact on the cashflow.

The annual financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business.

I certify that the salaries, allowances and benefits of councillors, as disclosed in note 31 of these annual financial statements are within the upper limits of the framework envisaged in section 219 of the Constitution, read with the remuneration of the Public Officer Bearer's Act and the Minister of Provincial and Local Government's determination in accordance with this Act

I am responsible for the preparation of the annual financial statements set out on pages 11 to 135, in terms of section 126(1) of the Municipal Finance Management Act (56 of 2003) which have been prepared on the going concern basis, were approved by myself on the 31 August 2009 and were signed on behalf of the Municipality.



R.F. Haswell

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The Group Annual Statements for the year ended 30 June 2009 – Statement of Financial Position

| | Note(s) | Municipality | | Group |
|--|---------|----------------------|----------------------|----------------------|
| | | 2009 R | 2008 R | 2009 R |
| ASSETS | | | | |
| Current Assets | | | | |
| Inventories | 3 | 64,304,960 | 53,832,193 | 64,304,960 |
| Current portion -other financial assets | 12 | 1,860,000 | 1,860,000 | 1,860,000 |
| Trade and other receivables from non exchange transactions | 4 | 18,935,560 | 32,950,250 | 18,935,560 |
| VAT | 5 | - | 5,896,918 | - |
| Trade and other receivables from exchange transactions | 6 | 320,310,484 | 256,848,624 | 320,310,484 |
| Current portion of long -term receivables | | 1,492,047 | 1,557,263 | 1,492,047 |
| Cash and cash equivalents | 7 | 112,867,232 | 263,845,426 | 113,666,687 |
| | | 519,770,283 | 616,790,674 | 520,569,738 |
| Non Current Assets | | | | |
| Investment property | 10 | 534,167,000 | - | 534,167,000 |
| Property, plant and equipment | 8 | 6,183,054,641 | 1,241,887,304 | 6,183,105,963 |
| Intangible assets | 9 | 3,254,398 | 1,080,382 | 3,254,398 |
| Long -term receivables | 11 | 4,686,392 | 5,349,498 | 4,686,392 |
| Current portion -other financial assets | 12 | 70,842 | 74,689 | 70,842 |
| | | 6,725,233,273 | 1,248,391,873 | 6,725,284,595 |
| Total Assets | | 7,245,003,556 | 1,865,182,547 | 7,245,854,333 |
| LIABILITIES | | | | |
| Current Liabilities | | | | |
| Current portion of long -term liabilities | 13 | 47,105,411 | 40,544,487 | 47,105,411 |
| Trade and other payables | 15 | 302,360,997 | 274,081,253 | 302,363,830 |
| VAT | 16 | 5,040,704 | - | 5,013,626 |
| Consumer deposits | 17 | 34,808,038 | 36,171,502 | 34,808,038 |
| Deferred income / Unspent conditional grants and receipts | 18 | 113,075,091 | 145,926,624 | 113,075,091 |
| Short term -liability | | 50,000,000 | - | 50,000,000 |
| Current provisions | 19 | 625,167 | 861,265 | 625,167 |
| | | 553,015,408 | 497,585,131 | 552,991,163 |



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| | Note(s) | Municipality | | Group |
|-------------------------------|---------|----------------------|--------------------|----------------------|
| | | 2009 R | 2008 R | 2009 R |
| Non-current liabilities | | | | |
| Long-term liabilities | 13 | 371,716,196 | 336,768,253 | 371,716,196 |
| Finance lease obligation | 14 | 10,670,399 | 7,669,141 | 10,670,399 |
| Retirement benefit obligation | 20 | 98,089,800 | 50,000,000 | 98,089,800 |
| Provisions | 21 | 16,871,166 | 28,855,336 | 16,871,166 |
| | | 497,347,561 | 423,292,730 | 497,347,561 |
| Total Liabilities | | 1,050,362,969 | 920,877,861 | 1,050,338,724 |
| NET ASSETS | | 6,194,640,587 | 944,304,686 | 6,195,515,609 |
| NET ASSETS | | | | |
| Housing development fund | 22 | 52,002,719 | 54,756,079 | 52,002,719 |
| Accumulated surplus | | 6,142,637,868 | 889,548,607 | 6,143,512,890 |
| Total Net Assets | | 6,194,640,587 | 944,304,686 | 6,195,515,609 |



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The Group Annual Statements for the year ended 30 June 2009 – Statement of Financial Performance

| | Note(s) | Municipality | | Group |
|---|---------|------------------------|------------------------|------------------------|
| | | 2009 R | 2008 R | 2009 R |
| Property rates | 26 | 378,556,015 | 345,067,836 | 378,556,015 |
| Service charges | 27 | 952,438,874 | 896,704,177 | 952,438,874 |
| Property rates -penalties imposed and collection | | 20,581,029 | 23,565,464 | 20,581,029 |
| Rental received | | 16,684,449 | 15,717,272 | 16,684,449 |
| Fees from agency services | | 689,431 | 751,904 | 689,431 |
| Public contributions, Donated and contributed property, plant and equipment | | - | - | 10,000 |
| Fines | | 14,299,020 | 14,774,353 | 14,299,020 |
| Licences and permits | | 53,988 | 43,655 | 53,988 |
| Government grants | 29 | 324,440,359 | 266,381,114 | 324,440,359 |
| Other revenue | 28 | 338,998,135 | 223,766,208 | 338,999,138 |
| Interest received -investment | 34 | 35,510,494 | 52,294,057 | 35,573,954 |
| Total Revenue | | 2,082,251,794 | 1,839,066,040 | 2,082,326,257 |
| Expenditure | | | | |
| Employee related costs | 31 | (580,172,075) | (500,859,237) | (582,395,777) |
| Remuneration of councillors | 32 | (19,164,676) | (15,467,145) | (19,164,676) |
| Depreciation and amortisation | 35 | (96,625,686) | (96,408,758) | (96,651,653) |
| Impairment of inventory | 36 | - | (143,365) | - |
| Finance costs | 37 | (57,421,392) | (55,028,233) | (57,421,591) |
| Contributions to provisions | 33 | (10,000,000) | (10,000,000) | (10,000,000) |
| Collection costs | | (1,401,737) | (1,092,870) | (1,401,737) |
| Repairs and maintenance | | (77,379,164) | (60,481,535) | (77,933,252) |
| Bulk purchases | 39 | (636,770,849) | (515,449,656) | (636,770,849) |
| Grants and subsidies paid | 38 | (4,978,336) | (4,392,550) | (2,346,757) |
| General Expenses | 30 | (602,728,333) | (470,298,514) | (602,618,180) |
| Total Expenditure | | (2,086,642,248) | (1,729,621,863) | (2,086,704,472) |
| Gains on disposal of assets | 41 | 3,369,276 | 7,239,228 | 3,369,276 |
| Financial liability amortised cost | | 5,434,385 | - | 5,434,385 |
| Financial asset amortised cost | | (385,314) | - | (385,314) |
| Surplus for the year | | 4,027,893 | 116,683,405 | 4,040,132 |



| | Housing Development Fund | Capital Replacement Reserve | Insurance Reserve | Total Reserves | Accumulated Surplus | Total Net Assets |
|--|--------------------------------|-----------------------------------|----------------------|--------------------|------------------------|---------------------|
| | R | R | R | R | R | R |
| Balance at 01 July 2007 as restated | 54,020,358 | 31,749,397 | 22,503,153 | 108,272,908 | 798,129,894 | 906,402,802 |
| Changes in net assets | | | | | | |
| Changes in accounting policy | - | (31,749,397) | (22,503,153) | (54,252,550) | 54,252,550 | - |
| Correction of prior period errors | - | - | - | - | 176,686 | 176,686 |
| Net income (expenses) recognised directly in net assets | - | (31,749,397) | (22,503,153) | (54,252,550) | 54,429,236 | 176,686 |
| Surplus for the year | - | - | - | - | 116,683,405 | 116,683,405 |
| Total recognised income and expenses for the year | - | (31,749,397) | (22,503,153) | (54,252,550) | 171,112,641 | 116,860,091 |
| Contributions to self-insurance reserve | - | - | - | - | 31,740,578 | 31,740,578 |
| Insurance claims processed | - | - | - | - | (29,625,502) | (29,625,502) |
| CRR net transactions after amalgamation into surplus | - | - | - | - | (978,783) | (978,783) |
| Contributions introduced | - | - | - | - | (10,704,235) | (10,704,235) |
| Transfer to HDF | 735,721 | - | - | 735,721 | - | 735,721 |
| Other property plant and equipment -biological assets | - | - | - | - | 81,727 | 81,727 |
| Transfer to/from provisions | - | - | - | - | (67,500,000) | (67,500,000) |
| Transfer to/from creditors (leave pay) | - | - | - | - | (2,707,713) | (2,707,713) |
| Total changes | 735,721 | (31,749,397) | (22,503,153) | (53,516,829) | 91,418,713 | 37,901,884 |
| Balance at 01 July 2008 | 54,756,079 | - | - | 54,756,079 | 889,548,607 | 944,304,686 |
| Changes in net assets | | | | | | |
| Changes in accounting policies | - | - | - | - | (146,559) | (146,559) |
| Correction of prior period error | - | - | - | - | (2,671,526) | (2,671,526) |
| Net income (expenses) recognised directly in net assets | - | - | - | - | (2,818,085) | (2,818,085) |
| Surplus for the year | - | - | - | - | 4,027,896 | 4,027,896 |
| Total recognised income and expenses for the year | - | - | - | - | 1,209,811 | 1,209,811 |
| Transfer to HDF | - | - | - | - | 6,116,773 | 6,116,773 |
| Net difference of adjustments | - | - | - | - | (31,010,576) | (31,010,576) |
| Additional other property plant and equipment -biological assets | - | - | - | - | 85,716 | 85,716 |
| Transfer to / from provisions | - | - | - | - | (21,593,591) | (21,593,591) |
| Transfer to/from creditors (leave pay) | - | - | - | - | (2,520,716) | (2,520,716) |
| Transactions HDF | (2,753,360) | - | - | (2,753,360) | - | (2,753,360) |



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| | Housing Development Fund | Capital Replacement Reserve | Insurance Reserve | Total Reserves | Accumulated Surplus | Total Net Assets |
|---|--------------------------------|-----------------------------------|----------------------|-------------------|------------------------|----------------------|
| | R | R | R | R | R | R |
| Net take on of infrastructure assets as at 30 June 2009 | - | | | - | 5,294,381,500 | 5,294,381,500 |
| Insurance claim processed | - | | | - | 6,420,344 | 6,420,344 |
| Total changes | (2,753,360) | - | - | (2,753,360) | 5,253,089,261 | 5,250,335,901 |
| Balance at 30 June 2009 | 52,002,719 | - | - | 52,002,719 | 6,142,637,868 | 6,194,640,587 |
| Note(s) | 22 | 23 | 24 | | | |



The Group Annual Statements for the year ended 30 June 2009 – Cash Flow Statment

| | | Municipality | | Group |
|--|---------|----------------------|----------------------|----------------------|
| | Note(s) | 2009 R | 2008 R | 2009 R |
| Cash flows from operating activities | | | | |
| Cash receipts from customers | | 2,104,067,303 | 1,586,919,830 | 1,707,984,686 |
| Cash paid to suppliers and employees | | (2,008,877,528) | (1,407,520,260) | (1,608,778,947) |
| Cash generated from operations | 40 | 95,189,775 | 179,399,570 | 99,205,739 |
| Interest income | | 35,510,494 | 52,294,057 | 35,573,954 |
| Finance costs | | (57,421,392) | (55,028,233) | (57,421,591) |
| Other non-cash items | | (23,172,093) | (10,704,235) | (21,593,591) |
| Insurance fund transactions | | | | 6,420,344 |
| Net cash from operating activities | | 50,106,784 | 165,961,159 | 62,184,855 |
| Cash flows from investing activities | | | | |
| Purchase of property, plant and equipment | 8 | (298,093,138) | (196,495,704) | (298,093,138) |
| Sale of property, plant and equipment | 8 | 3,369,276 | 7,239,228 | 3,369,726 |
| Purchase of other intangible assets | | - | - | (2,960,171) |
| Increase in investment | 10 | - | 163,061 | |
| Movement in non current receivables | | 728,321 | 6,739,888 | |
| Movement on long term receivables | | - | - | 728,321 |
| Movement on long term investments | | | | (381,467) |
| Movement on long term receivables | | | | 65,216 |
| Net cash from investing activities | | (293,995,541) | (182,353,527) | (297,271,513) |
| Cash flows from financing activities | | | | |
| Repayment of current portion of long -term liabilities | | 41,508,867 | 49,587,320 | 41,508,867 |
| Movement in short term liability | | 50,000,000 | - | 50,000,000 |
| Movement in current provisions | | (236,098) | 2,115,075 | (9,289,867) |
| Movement in Consumer deposits | | (1,363,464) | 7,584,442 | (1,363,464) |
| Finance lease payments | | 3,001,258 | - | 3,001,258 |
| Net cash from financing activities | | 92,910,563 | 59,286,837 | 83,856,794 |
| Net cash from financing activities | | | | |
| Total cash movement for the year | | (150,978,194) | 42,894,469 | (151,230,314) |
| Cash at the beginning of the year | 7 | 263,845,426 | 220,950,958 | 264,897,001 |
| Net increase (decrease) in cash and cash equivalents | | 112,867,232 | 263,845,427 | 113,666,687 |



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The Group Annual Statements for the year ended 30 June 2009 – Accounting Policies

1. Presentation of Consolidated Annual Financial Statements

The annual financial statements have been prepared in accordance with the Standards of Generally Recognised Accounting Practices (GRAP) prescribed by the Minister of Finance in terms of General Notice 991 and 992 of 2005.

The standards are summarised as follows:

Standard of GRAP

| | |
|----------|--|
| GRAP 1 | Presentation of financial statements |
| GRAP 2 | Cash flow statements |
| GRAP 3 | Accounting policies, changes in accounting estimates and errors |
| GRAP 4 | The effects of changes in foreign exchange rates |
| GRAP 5 | Borrowings |
| GRAP 6 | Consolidated financial statements and accounting for controlled entities |
| GRAP 7 | Accounting for investments in associates |
| GRAP 8 | Financial reporting of interests in joint ventures |
| GRAP 9 | Revenue from exchange transactions |
| GRAP 11 | Construction Contracts |
| GRAP 12 | Inventories |
| GRAP 13 | Leases |
| GRAP 14 | Events after the reporting date |
| GRAP 16 | Investment Property |
| GRAP 17 | Property, plant and equipment |
| GRAP 19 | Provisions, contingent liabilities and contingent asset |
| GRAP 100 | Non-current Assets Held for Sale and Discontinued Operations |
| GRAP 101 | Agriculture |
| GRAP 102 | Intangible Assets |

GRAP 6, 7 and 8 have been complied with to the extent that the requirements in these standards relate to the Economic Entity's separate financial statements.

Accounting policies for material transactions, events or conditions not covered by the above GRAP Standards have been developed in accordance with paragraphs 7, 11 and 12 of GRAP 3. These accounting policies and the applicable disclosures have been based on the South African Statements of Generally Accepted Accounting Practices (SA GAAP) including any interpretations of such Statements issued by the Accounting Practices Board.

These accounting policies are consistent with the previous period, except for the changes set out in note First-time adoption of International Financial Reporting Standards.

1.1 Presentation of Currency

These consolidated annual financial statements are presented in South African Rand.

1.2 Going concern assumption

These consolidated annual financial statements have been prepared on a going concern basis.



1.3 Housing development fund

The Housing Development Fund was established in terms of the Housing Act, (Act No. 107 of 1997). Loans from national and provincial government used to finance housing selling schemes undertaken by the Economic Entity were extinguished on 1 April 1998 and transferred to a Housing Development Fund. Housing selling schemes, both complete and in progress as at 1 April 1998, were also transferred to the Housing Development Fund. In terms of the Housing Act, all proceeds from housing developments, which include rental income and sales of houses, must be paid into the Housing Development Fund. Monies standing to the credit of the Housing Development Fund can be used only to finance housing developments within the municipal area subject to the approval of the Provincial MEC responsible for housing.

1.4 Property, plant and equipment

The cost of an item of property, plant and equipment is recognised as an asset when:
it is probable that future economic benefits associated with the item will flow to the Economic Entity; and
the cost of the item can be measured reliably.

Costs include costs incurred initially to acquire or construct an item of property, plant and equipment and costs incurred subsequently to add to, replace part of, or service it. If a replacement cost is recognised in the carrying amount of an item of property, plant and equipment, the carrying amount of the replaced part is unrecognised.

The cost of dismantling and removing the item and restoring the site on which it is located is also included in the cost of property, plant and equipment.

Property, plant and equipment, is carried at cost less accumulated depreciation and impairment losses. Depreciation for the year has been based on the old asset values and is calculated on a straight line method although an average useful life has been estimated for each category of assets in accordance with the treatment of previous year, using the global historical cost in the accounting records.

The annual depreciation rates are based on the following estimated useful lives.

| Item | Average useful life |
|------------------------------------|---------------------|
| Infrastructure | |
| Roads and paving | 5 - 100 years |
| Pedestrian malls | 30 years |
| Electricity | 10 - 50 years |
| Water | 10 - 100 years |
| Sewerage | 10 - 100 years |
| Housing | 30 years |
| Storm water | 25 - 120 years |
| Land Infinite | |
| Community Buildings | 10 - 50 years |
| Recreational facilities | 10 - 100 years |
| Security | 5 years |
| Watercraft | 15 years |
| Furniture and fixtures | 7 - 10 years |
| Other items of plant and equipment | 2- 5 years |
| Office equipment | 3 - 7 years |



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| | |
|---|---------------|
| Other | |
| Other vehicles | 5 years |
| Bins and containers | 5 years |
| Landfill Sites | 15 years |
| Specialised vehicles | 10 years |
| Specialised property, plant and equipment | 10 - 15 years |

The useful life of each asset are reviewed at each financial period-end.

The depreciation charge for each period is recognised in surplus or deficit unless it is included in the carrying amount of another asset.

The gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying value and is recognised in the Statement of Financial Performance. The depreciation charge for each period is recognised in surplus or deficit unless it is included in the carrying amount of another asset.

The Economic Entity has an obligation to rehabilitate its landfill sites in terms of its licence stipulations. Provision is made for this obligation in accordance with the Economic Entity's accounting policy on non-current provisions.

The Msunduzi Economic Entity accounted for the investment properties in accordance with the GRAP implementation process map that was formulated in terms of Gazette 30013 dated 29 June 2007.

In terms of implementation of the said process map, the Economic Entity valued all its infrastructure assets and this value is treated as the deemed deemed cost. The review of useful lives, reviewing of the depreciation method and impairment was part of this process. As from the 2009/2010 financial year the Economic Entity can implement the requirements of GRAP 17 regarding the annual review of useful lives and impairment against the newly established fixed asset register.

The gain or loss arising from the derecognition of an item of property, plant and equipment is included in surplus or deficit when the item is derecognised. The gain or loss arising from the derecognition of an item of property, plant and equipment is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item.

Property, plant and equipment is carried at cost less accumulated depreciation and any impairment losses.

Capital projects are treated as work in progress until the asset so created are ready for use.

1.5 Inventories

Inventories are measured at the lower of cost and net realisable value.

The cost of inventories comprises of all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

The cost of inventories is assigned using the first-in, first-out (FIFO) formula. The same cost formula is used for all inventories having a similar nature and use to the entity.



When inventories are sold, the carrying amount of those inventories are recognised as an expense in the period in which the related revenue is recognised. The amount of any write-down of inventories to net realisable value and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories, arising from an increase in net realisable value, are recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs. Redundant and slow-moving inventories are identified and written down from cost to net realisable value with regard to their estimated economic or realisable values.

1.6 Financial instruments

Classification

The Economic Entity classifies financial assets and financial liabilities into the following categories:

- Financial assets at fair value through surplus or deficit - held for trading
- Loans and receivables

Classification depends on the purpose for which the financial instruments were obtained / incurred and takes place at initial recognition. Classification is re-assessed on an annual basis, except for derivatives and financial assets designated as at fair value through surplus or deficit, which shall not be classified out of the fair value through surplus or deficit category.

Initial recognition and measurement

Financial instruments are recognised initially when the Economic Entity becomes a party to the contractual provisions of the instruments.

The Economic Entity classifies financial instruments, or their component parts, on initial recognition as a financial asset, a financial liability or an equity instrument in accordance with the substance of the contractual arrangement.

Financial instruments are measured initially at fair value, except for equity investments for which a fair value is not determinable, which are measured at cost and are classified as available for sale financial assets.

For financial instruments which are not at fair value through surplus or deficit, transaction costs are included in the initial measurement of the instrument.

Transaction costs on financial instruments at fair value through surplus or deficit are recognised in profit or loss.

Subsequent measurement

Financial instruments at fair value through surplus or deficit are subsequently measured at fair value, with gains and losses arising from changes in fair value being included in surplus or deficit for the period.

Net gains or losses on the financial instruments at fair value through surplus or deficit dividends and interest.

Loans and receivables are subsequently measured at amortised cost, using the effective interest method, less accumulated impairment losses.

Financial liabilities at amortised cost are subsequently measured at amortised cost, using the effective interest method.



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Fair value determination

The fair values of quoted investments are based on current bid prices. If the market for a financial asset is not active (and for unlisted securities), the Economic Entity establishes fair value by using valuation techniques. These include the use of recent arm's length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis, and option pricing models making maximum use of market inputs and relying as little as possible on entity-specific inputs.

Impairment of financial assets

At each end of the reporting period the Economic Entity assesses all financial assets, other than those at fair value through surplus or deficit, to determine whether there is objective evidence that a financial asset or group of financial assets has been impaired.

For amounts due to the Economic Entity, significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy and default of payments are all considered indicators of impairment.

Impairment losses are recognised in surplus or deficit.

Impairment losses are reversed when an increase in the financial asset's recoverable amount can be related objectively to an event occurring after the impairment was recognised, subject to the restriction that the carrying amount of the financial asset at the date that the impairment is reversed shall not exceed what the carrying amount would have been had the impairment not been recognised.

Where financial assets are impaired through use of an allowance account, the amount of the loss is recognised in surplus or deficit within operating expenses. When such assets are written off, the write off is made against the relevant allowance account. Subsequent recoveries of amounts previously written off are credited against operating expenses.

Trade and other receivables

Trade receivables are measured at initial recognition at fair value, and are subsequently measured at amortised cost using the effective interest rate method if material. Appropriate allowances for estimated irrecoverable amounts are recognised in surplus or deficit.

The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the deficit is recognised in surplus or deficit within operating expenses. When a trade receivable is uncollectible, it is written off against the allowance account for trade receivables. Subsequent recoveries of amounts previously written off are credited against operating expenses in surplus or deficit.

Trade and other receivables are classified as loans and receivables.

Trade and other payables

Trade payables are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest rate method.

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and demand deposits, and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value. These are initially and subsequently recorded at fair value.



For the purposes of the cash flow statement, cash and cash equivalents comprise cash on hand, deposits held on call with banks and investments in financial instruments, net of bank overdrafts.

Bank overdrafts are recorded based on the facility utilised. Finance charges on bank overdrafts are expensed as incurred.

Cash and cash equivalents are classified as loans and receivables

Bank overdraft and borrowings

Bank overdrafts and borrowings are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest rate method. Any difference between the proceeds (net of transaction costs) and the settlement or redemption of borrowings is recognised over the term of the borrowings in accordance with the Economic Entity's accounting policy for borrowing costs.

Gains and losses

A gain or loss arising from a change in a financial asset or financial liability is recognised as follows: A gain or loss on a financial asset or financial liability classified as at fair value through surplus or deficit is recognised in surplus or deficit, For financial assets and financial liabilities carried at amortised cost, a gain or loss is recognised in surplus or deficit when the financial asset or financial liability is derecognised or impaired, and through the amortisation process.

Derecognition

Financial assets

A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognised where: the rights to receive cash flows from the asset have expired; the Economic Entity retains the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a 'pass-through' arrangement; or the Economic Entity has transferred its rights to receive cash flows from the asset and either -has transferred substantially all the risks and rewards of the asset, or -has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

Where the Economic Entity has transferred its rights to receive cash flows from an asset and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the Economic Entity's continuing involvement in the asset. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Economic Entity could be required to repay. Where continuing involvement takes the form of a written and/or purchased option (including a cash-settled option or similar provision) on the transferred asset, the extent of the Economic Entity's continuing involvement is the amount of the transferred asset that the Economic Entity may repurchase, except that in the case of a written put option (including a cash-settled option or similar provision) on an asset measured at fair value, the extent of the Economic Entity's continuing involvement is limited to the lower of the fair value of the transferred asset and the option exercise price.



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Financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged, cancelled or expires. Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in surplus or deficit.

Impairment of financial assets

The Economic Entity assesses at each statement of financial position date whether a financial asset or group of financial assets is impaired.

Assets are carried at amortised cost.

If there is objective evidence that an impairment loss on loans and receivables carried at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition). The carrying amount of the asset shall be reduced either directly or through the use of an allowance account. The amount of the loss shall be recognised in surplus or deficit. The Economic Entity first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, and individually or collectively for financial assets that are not individually significant. If it is determined that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, the asset is included in a group of financial assets with similar credit risk characteristics and that group of financial assets is collectively assessed for impairment. Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognised are not included in a collective assessment of impairment.

1.7 Revenue from exchange transactions

Revenue from the sale of goods is recognised when all the following conditions have been satisfied: the Economic Entity has transferred to the buyer the significant risks and rewards of ownership of the goods; the Economic Entity retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold; the amount of revenue can be measured reliably; it is probable that the economic benefits associated with the transaction will flow to the Economic Entity; and the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Revenue is measured at the fair value of the consideration received or receivable and represents the amounts receivable for goods and services provided in the normal course of business, net of trade discounts and volume rebates, and value added tax.

Royalties are recognised on the accrual basis in accordance with the substance of the relevant agreements.

Dividends are recognised, in surplus or deficit, when the Economic Entity's right to receive payment has been established.

Service fees included in the price of the product are recognised as revenue over the period during which the service is performed.



Service charges relating to electricity and water are based on consumption. Meters are read on a monthly basis and are recognised as revenue when invoiced. Provisional estimates of consumption are made monthly when meter readings have not been performed. To include all revenue in the financial period estimates are made between the last meter reading and the financial year end to account for consumption that took place during the financial period. Adjustments to provisional estimates of consumption are made in the invoicing period in which meters have been read. These adjustments are recognised as revenue in the invoicing period. Revenue from the sale of electricity prepaid meter cards are recognised at the point of sale.

Service charges relating to refuse removal are recognised on a monthly basis in arrears by applying the approved tariff to each property that has improvements. Tariffs are determined per category of property usage, and are levied monthly based on the number of refuse containers on each property, regardless of whether or not all containers are emptied during the month.

Service charges from sewerage and sanitation are based on the number of sewerage connections on each developed property using the tariffs approved from Council and are levied monthly.

Revenue arising from the application of the approved tariff of charges is recognised when the relevant service is rendered by applying the relevant gazetted tariff. This includes the issuing of licences and permits.

Income for agency services is recognised on a monthly basis once the income collected on behalf of agents has been quantified. The income recognised is in terms of the agency agreement.

Finance income from the sale of housing by way of installment sales agreements or finance leases is recognised on a time proportion basis.

Revenue from the sale of goods is recognised when the risk is passed to the consumer.

Revenue from public contributions is recognised when all conditions associated with the contribution have been met or where the contribution is to finance property, plant and equipment, when such items of property, plant and equipment is brought into use. Where public contributions have been received but the Economic Entity has not met the condition, a liability is recognised.

1.8 Revenue from non-exchange transactions

Non-exchange transactions are defined as transactions where the entity receives value from another entity without directly giving approximately equal value in exchange.

Revenue from the issuing of fines is recognised when: it is probable that the economic benefits or service potential associated with the transaction will flow to the Economic Entity; and the amount of the revenue can be measured reliably.

Revenue from property rates is recognised when the legal entitlement to this revenue arises. Collection charges are recognised when such amounts are legally enforceable. Penalty interest on unpaid rates is recognised on a time proportion basis.

Fines constitute both spot fines and summonses. Revenue from spot fines and summonses is recognised when payment is received.

Donations are recognised on a cash receipt basis or where the donation is in the form of property, plant and equipment, when such items of property, plant and equipment are brought into use.

Contributed property, plant and equipment are recognised when such items of property, plant and equipment are brought into use.



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Revenue from the recovery of unauthorised, irregular, fruitless and wasteful expenditure is based on legislated procedures, including those set out in the Municipal Finance Management Act (Act No.56 of 2003) and is recognised when the recovery thereof from the responsible councillors or officials is virtually certain.

1.9 Conditional Grants and receipts

Revenue received from conditional grants, donations and funding are recognised as revenue to the extent that the Economic Entity has complied with any of the criteria, conditions or obligations embodied in the agreement. To the extent that the criteria, conditions or obligations have not been met a liability is recognised.

1.10 Provisions and contingencies

Provisions are recognised when: the Economic Entity has a present obligation as a result of a past event; it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation; and a reliable estimate can be made of the obligation.

The amount of a provision is the present value of the expenditure expected to be required to settle the obligation.

Provisions are not recognised for future operating deficits.

If an entity has a contract that is onerous, the present obligation under the contract shall be recognised and measured as a provision.

Provisions are reviewed at each Statement of Financial Position date and adjusted to reflect the current best estimate

The Economic Entity makes provision for the rehabilitation of landfill sites and post retirement benefits medical aid contributions.

Provision for the rehabilitation of the Quarry site was created from contributions received from the rental agreement for this site.

Provision for airport development was created from contributions to passenger levies.

1.11 Unauthorised expenditure

Unauthorised expenditure means: overspending of a vote or a main division within a vote; expenditure not in accordance with the purpose of a vote or, in the case of a main division, not in accordance with the purpose of the main division.

All expenditure relating to unauthorised expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

1.12 Irregular expenditure

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No.56 of 2003), the Municipal Systems Act (Act No.32 of 2000), The Public Office Bearers Act (Act No. 20 of 1998) or is in contravention of the Economic Entity's supply chain management policy. Irregular expenditure excludes unauthorised expenditure. Irregular expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.



1.13 Fruitless and wasteful expenditure

Fruitless expenditure means expenditure which was made in vain and would have been avoided had reasonable care been exercised.

All expenditure relating to fruitless and wasteful expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

1.14 Translation of foreign currencies

Foreign currency transactions

A foreign currency transaction is recorded, on initial recognition in Rand's, by applying to the foreign currency amount the spot exchange rate between the functional currency and the foreign currency at the date of the transaction.

Exchange differences arising on the settlement of monetary items or on translating monetary items at rates different from those at which they were translated on initial recognition during the period or in previous annual financial statements are recognised in surplus or deficit in the period in which they arise.

When a gain or loss on a non-monetary item is recognised directly in equity, any exchange component of that gain or loss is recognised directly in equity. When a gain or loss on a non-monetary item is recognised in surplus or deficit, any exchange component of that gain or loss is recognised in surplus or deficit.

Cash flows arising from transactions in a foreign currency are recorded in Rand's by applying to the foreign currency amount the exchange rate between the Rand and the foreign currency at the date of the cash flow.

1.15 Comparative figures

Where necessary, comparative figures have been reclassified to conform to changes in presentation in the current year.

1.16 Leases

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership. A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership.

Finance leases – lessee

Finance leases are recognised as assets and liabilities in the statement of financial position at amounts equal to the fair value of the leased property or, if lower, the present value of the minimum lease payments. The corresponding liability to the lessor is included in the statement of financial position as a finance lease obligation.

The discount rate used in calculating the present value of the minimum lease payments is the interest rate implicit in the lease.

The lease payments are apportioned between the finance charge and reduction of the outstanding liability. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of on the remaining balance of the liability.



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Operating leases – lessee

Operating lease payments are recognised as an expense on a straight-line basis over the lease term. The difference between the amounts recognised as an expense and the contractual payments are recognised as an operating lease asset. This liability is not discounted.

Any contingent rents are expensed in the period they are incurred.

1.17 Value Added Taxation

The Msunduzi Economic Entity accounts for Value Added Tax on the payment basis.

1.18 Significant judgements and sources of estimation uncertainty

In preparing the annual financial statements, management is required to make estimates and assumptions that affect the amounts represented in the annual financial statements and related disclosures. Use of available information and the application of judgement is inherent in the formation of estimates. Actual results in the future could differ from these estimates which may be material to the annual financial statements. Significant judgements include:

Trade receivables / Held to maturity investments and/or loans and receivables

The Economic Entity assesses its trade receivables for impairment at each statement of financial position date. In determining whether an impairment loss should be recorded in the statement of financial performance, the Economic Entity makes judgements as to whether there is observable data indicating a measurable decrease in the estimated future cash flows from a financial asset.

Allowance for slow moving, damaged and obsolete stock

An allowance for stock to write stock down to the lower of cost or net realisable value. Management have made estimates of the selling price and direct cost to sell on certain inventory items. The write down is included in the operation surplus note.

Fair value estimation

The fair value of financial instruments traded in active markets (such as trading and available-for-sale securities) is based on quoted market prices at the statement of financial position date. The quoted market price used for financial assets held by the Economic Entity is the current bid price.

The carrying value less impairment provision of trade receivables and payables are assumed to approximate their fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Economic Entity for similar financial instruments.

Impairment testing

The recoverable amounts of cash-generating units and individual assets have been determined based on the higher of value-in-use calculations and fair values. These calculations require the use of estimates and assumptions. It is reasonably possible that the assumption may change which may then impact our estimations and may then require a material adjustment to the carrying value of goodwill and tangible assets.



The Economic Entity reviews and tests the carrying value of assets when events or changes in circumstances suggest that the carrying amount may not be recoverable. Assets are grouped at the lowest level for which identifiable cash flows are largely independent of cash flows of other assets and liabilities. If there are indications that impairment may have occurred, estimates are prepared of expected future cash flows for each group of assets. Expected future cash flows used to determine the value in use of goodwill and tangible assets are inherently uncertain and could materially change over time.

Provisions

Provisions were raised and management determined an estimate based on the information available. Additional disclosure of these estimates of provisions are included in note 21 - Provisions.

Post retirement benefits

The present value of the post retirement obligation depends on a number of factors that are determined on an actuarial basis using a number of assumptions. The assumptions used in determining the net cost (income) include the discount rate. Any changes in these assumptions will impact on the carrying amount of post retirement obligations.

Other key assumptions for pension obligations are based on current market conditions. Additional information is disclosed in Note 20.

Effective interest rate

The Economic Entity used the prime interest rate to discount future cash flows.

1.19 Intangible assets

An asset is identified as an intangible asset when it: is capable of being separated or divided from an entity and sold, transferred, licensed, rented or exchanged, either individually or together with a related contract, assets or liability; or arises from contractual rights or other legal rights, regardless whether those rights are transferable or separate from the Economic Entity or from other rights and obligations.

An intangible asset is recognised when: it is probable that the expected future economic benefits that are attributable to the asset will flow to the entity; and the cost of the asset can be measured reliably.

Intangible assets are initially recognised at cost.

An intangible asset arising from development (or from the development phase of an internal project) is recognised when: it is technically feasible to complete the asset so that it will be available for use or sale. there is an intention to complete and use or sell it. there is an ability to use or sell it. it will generate probable future economic benefits. there are available technical, financial and other resources to complete the development and to use or sell the asset. the expenditure attributable to the asset during its development can be measured reliably.

Intangible assets are carried at cost less any accumulated amortisation and any impairment losses.

Amortisation is provided to write down the intangible assets, on a straight line basis, to their residual values as follows:

| | |
|---|---------|
| Computer software, internally generated | 3 years |
| Computer software, other | 3 years |



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Intangible assets are derecognised: on disposal; or when no future economic benefits or service potential are expected from its use or disposal.

1.20 Non-current assets held for sale (and) (disposal groups)

Non-current assets and disposal groups are classified as held for sale if their carrying amount will be recovered through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset (or disposal group) is available for immediate sale in its present condition. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

Non-current assets held for sale (or disposal group) are measured at the lower of its carrying amount and fair value less costs to sell.

A non-current asset is not depreciated (or amortised) while it is classified as held for sale, or while it is part of a disposal group classified as held for sale.

Interest and other expenses attributable to the liabilities of a disposal group classified as held for sale are recognised in surplus or deficit.

1.21 Impairment of assets

The Economic Entity assesses at each statement of financial position date whether there is any indication that an asset may be impaired. If any such indication exists, the Economic Entity estimates the recoverable amount of the asset.

Irrespective of whether there is any indication of impairment, the Economic Entity also: tests intangible assets with an indefinite useful life or intangible assets not yet available for use for impairment annually by comparing its carrying amount with its recoverable amount. This impairment test is performed during the annual period and at the same time every period. tests goodwill acquired in a business combination for impairment annually.

If there is any indication that an asset may be impaired, the recoverable amount is estimated for the individual asset. If it is not possible to estimate the recoverable amount of the individual asset, the recoverable amount of the cash-generating unit to which the asset belongs is determined.

The recoverable amount of an asset or a cash-generating unit is the higher of its fair value less costs to sell and its value in use.

If the recoverable amount of an asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. That reduction is an impairment loss.

An impairment loss of assets carried at cost less any accumulated depreciation or amortisation is recognised immediately in surplus or deficit. Any impairment loss of a revalued asset is treated as a revaluation decrease.

Goodwill acquired in a business combination is, from the acquisition date, allocated to each of the cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the combination.

An impairment loss is recognised for cash-generating units if the recoverable amount of the unit is less than the carrying amount of the units. The impairment loss is allocated to reduce the carrying amount of the assets of the unit in the following order:

- first, to reduce the carrying amount of any goodwill allocated to the cash-generating unit and
- then, to the other assets of the unit, pro rata on the basis of the carrying amount of each asset in the unit.



The increased carrying amount of an asset other than goodwill attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss of assets carried at cost less accumulated depreciation or amortisation is recognised immediately in surplus or deficit. Any reversal of an impairment loss of a revalued asset is treated as a revaluation increase.

No assets were impaired during the financial year.

1.22 Employee benefits

Short-term employee benefits

The cost of short-term employee benefits, (those payable within 12 months after the service is rendered, such as paid vacation leave and sick leave, bonuses, and non-monetary benefits such as medical care), are recognised in the period in which the service is rendered and are not discounted.

The expected cost of compensated absences is recognised as an expense as the employees render services that increase their entitlement or, in the case of non-accumulating absences, when the absence occurs.

Defined contribution plans

Payments to defined contribution retirement benefit plans are charged as an expense as they fall due.

Payments made to industry-managed (or state plans) retirement benefit schemes are dealt with as defined contribution plans where the Economic Entity's obligation under the schemes is equivalent to those arising in a defined contribution retirement benefit plan.

Defined benefit plans

For defined benefit plans the cost of providing the benefits is determined using the projected credit method.

Actuarial valuations are conducted on an annual basis by independent actuaries separately for each plan.

Consideration is given to any event that could impact the funds up to statement of financial position date where the interim valuation is performed at an earlier date.

Past service costs are recognised immediately to the extent that the benefits are already vested, and are otherwise amortised on a straight line basis over the average period until the amended benefits become vested.

Gains or losses on the curtailment or settlement of a defined benefit plan is recognised when the Economic Entity is demonstrably committed to curtailment or settlement.

When it is virtually certain that another party will reimburse some or all of the expenditure required to settle a defined benefit obligation, the right to reimbursement is recognised as a separate asset. The asset is measured at fair value. In all other respects, the asset is treated in the same way as plan assets. In the statement of financial performance, the expense relating to a defined benefit plan is presented as the net of the amount recognised for a reimbursement.

The amount recognised in the statement of financial position represents the present value of the defined benefit obligation as adjusted for unrecognised actuarial gains and losses and unrecognised past service costs, and reduces by the fair value of plan assets.



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Any asset is limited to unrecognised actuarial losses, plus the present value of available refunds and reduction in future contributions to the plan.

The Economic Entity does not apply the "Corridor method" and recognise all actuarial gains or losses in the statement of financial performance as they occur.

1.23 Government grants

Government grants are recognised when there is reasonable assurance that: the Economic Entity will comply with the conditions attaching to them; and the grants will be received.

Government grants are recognised as income over the periods necessary to match them with the related costs that they are intended to compensate.

A government grant that becomes receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the entity with no future related costs is recognised as income of the period in which it becomes receivable.

Grants related to income are presented as a credit in the income statement (separately).

Revenue received from conditional grants, donations and funding is recognised as revenue to the extent that the Msunduzi Economic Entity has complied with all of the criteria, conditions or obligations embodied in the agreement. To the extent that the criteria, conditions or obligations have not been met, a liability is recognised.

1.24 Grants, transfers and donations

Grants and donations are recognised as revenue when: it is probable that the economic benefits or service potential associated with the transaction will flow to the Economic Entity; the amount of the revenue can be measured reliably; and to the extent that there has been compliance with any restrictions associated with the grant.

Donations are measured at the fair value of the consideration received or receivable when the amount of the revenue can be measured reliably.

If goods in-kind are received without conditions attached, revenue is recognised immediately. If conditions are attached, a liability is recognised, which is reduced and revenue recognised as the conditions are satisfied.

1.25 Investment income

Investment income is recognised on a time-proportion basis using the effective interest method.

1.26 Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalised as part of the cost of that asset until such time as the asset is ready for its intended use. The amount of borrowing costs eligible for capitalisation is determined as follows:

Actual borrowing costs on funds specifically borrowed for the purpose of obtaining a qualifying asset less any temporary investment of those borrowings.

Weighted average of the borrowing costs applicable to the entity on funds generally borrowed for the purpose of obtaining a qualifying asset. The borrowing costs capitalised do not exceed the total borrowing costs incurred.



The capitalisation of borrowing costs commences when:

expenditures for the asset have occurred;
 borrowing costs have been incurred, and
 activities that are necessary to prepare the asset for its intended use or sale are in progress.

Capitalisation is suspended during extended periods in which active development is interrupted.

Capitalisation ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are complete.

All other borrowing costs are recognised as an expense in the period in which they are incurred.

1.27 Use of Estimates

The preparation of annual financial statements in conformity with Generally Recognised Accounting Practice requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Economic Entity's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the annual financial statements are disclosed in the relevant sections of the annual financial statements. Although these estimates are based on management's best knowledge of current events and actions they may undertake in the future, actual results ultimately may differ from those estimates.

1.28 Offsetting

Assets, liabilities, revenue and expenses have not been offset except when offsetting is required or permitted by a Standard of GRAP, GAAP or IPSAS.

1.29 Investments

Where the carrying amount of an investment is greater than the estimated recoverable amount, it is written down immediately to its recoverable amount and an impairment loss is charged to the Statement of Financial Performance.

1.30 Grants in aid

The Msunduzi Economic Entity transfers money to individuals, institutions and organisations. When making these transfers, The Economic Entity does not:

Receive any goods or services directly in return, as would be expected in a purchase or sale transaction
 Expect to be repaid in future; or
 Expect a financial return, as would be expected from an investment

These transfers are recognised in the financial statements as expenses in the period that the events giving rise to the transfer occurred.

1.31 Unutilised conditional grants

Unutilised conditional grants are reflected on the Statement of Financial Position as a Creditor - Unutilised Conditional Grants. They represent unspent government grants, subsidies and contributions from the public. The following conditions are set for the creation and utilisation of these creditors.

The unspent portion of the grant is invested until utilised.



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Interest earned on the investment is treated in accordance with grant conditions. If it is payable to the funder it is recorded as part of the creditor. If it is The Msunduzi Economic Entity's interest it is recognised as interest earned in the Statement of Financial Performance.

Whenever an item of property, plant and equipment is purchased from a Creditor – Unutilised Conditional Grant, an amount equal to the purchase price is transferred from the Creditor - Unutilised Conditional Grant to the operating account on the Statement of Financial Performance as revenue.

Whenever an item of property, plant and equipment is purchased from a Creditor - Unutilised Conditional Grant, an amount equal to the purchase price is transferred from the accumulated surplus to the Deferred Income - Government Grants or the Accumulated Surplus account in the case of non government grants. The deferred income account is used to offset depreciation charged on the property, plant and equipment financed from unutilised government grant capital receipts and equals the remaining depreciable value (carrying value) of property, plant and equipment financed from unutilised government grant capital receipts.

Whenever a non-asset is purchased from a Creditor - Unutilised Conditional Grant an amount equal to the purchase price is transferred from the Creditor - Unutilised Conditional Grant to the operating account on the Statement of Financial Performance to offset the expenditure which was expensed through the operating account.

2. New standards and interpretations

2.1 Standards and interpretations effective and adopted in the current year

In the current year, the municipality has adopted the following standards and interpretations that are effective for the current financial year and that are relevant to its operations:

GRAP 6: Consolidated and Separate Financial Statements

GRAP 6 includes specific guidance on whether control exists and on power conditions to determine whether control exists in a public sector context – public sector entities need to consider impact of this guidance to determine whether an investment should be accounted for in accordance with GRAP 6.

GRAP 6 includes specific guidance and explanatory material on the accounting of special purpose entities adopted from SIC 12 – SA specific public sector amendment. Public sector entities need to consider impact of this guidance to determine whether an investment should be accounted for in accordance with GRAP 6.

The initial application of GRAP 6 will have no impact on the annual financial statements.

The following Directives also need to be considered:

Directive 2 - Transitional provisions for public entities, municipal entities and constitutional institutions, requires retrospective application of the Standard.

Directive 3 - Transitional provisions for high capacity municipalities requires retrospective application of the Standard for separate annual financial statements. For consolidated annual financial statements the result of initially adopting the Standard shall be recognised in the economic entity as an adjustment to the opening balance of accumulated surplus or deficit and comparative information need not be restated for the economic entity.

The effective date of the standard is for years beginning on or after 01 July 2008.



The municipality has adopted the standard for the first time in the 2009 annual financial statements. The impact of the standard is set out in note 43 Changes in Accounting Policy.

GRAP 9: Revenue from Exchange Transactions

The definition of revenue in terms of GRAP 9 incorporates the concept of service potential. Revenue is the gross inflow of economic benefits or service potential when those inflows result in an increase in net assets, other than increases relating to contributions from owners.

Entities may derive revenue from exchange or non-exchange transactions.

An exchange transaction is one in which the entity receives resources or has liabilities extinguished, and directly gives approximately equal value to the other party in exchange.

Non-exchange revenue transaction is a transaction where an entity receives value from another entity without directly giving approximately equal value in exchange.

An entity recognises revenue when it is probable that economic benefits or service potential will flow to the entity, and the entity can measure the benefits reliably.

GRAP 9 clarifies that this Standard only applies to revenue from exchange transactions.

Other than terminology difference, no affect on initial adoption of Standard on GRAP 9.

The following Directives also need to be considered:

Directive 2 - Transitional provisions for public entities, municipal entities and constitutional institutions requires retrospective application of this Standard.

Directive 3 - Transitional provisions for high capacity municipalities requires retrospective application of the Standard.

The effective date of the standard is for years beginning on or after 01 July 2008.

The municipality has adopted the standard for the first time in the 2009 annual financial statements.

The impact of the standard is set out in note 43 Changes in Accounting Policy.

GRAP 12: Inventories

GRAP 12 includes the definition of current replacement costs as the cost the entity would incur to acquire the asset on the reporting date. GRAP 12 also includes the principal of service potential associated with the item that will flow to the entity as part of recognition criteria for inventories as well as the concept of goods purchased or produced for distribution at no charge or for a nominal consideration, which is specific to the public sector.



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Initial measurement is required at cost (an exchange transaction) and where inventories are acquired at no cost or nominal consideration (non-exchange transaction), their cost shall be their fair value at acquisition date. Subsequent measurement shall be at lower of cost and net realisable value except if inventories are held for: distribution at no charge or for a nominal charge, or consumption in the production process of goods to be distributed at no charge or for a nominal charge.

If the above applies then subsequent measurement shall be at the lower of cost or current replacement cost.

Directive 2 - Transitional provisions for public entities, municipal entities and constitutional institutions requires retrospective application of this Standard.

Directive 3 - Transitional provisions for high capacity municipalities requires retrospective application of the Standard.

The effective date of the standard is for years beginning on or after 01 July 2008.

The municipality has adopted the standard for the first time in the 2009 annual financial statements.

The impact of the standard is set out in note 43 Changes in Accounting Policy.

GRAP 13: Leases

GRAP 13 incorporates additional guidance on the concept of substance and legal form of a transaction, to illustrate the difference between lease and other contracts and on operating lease incentives.

In certain circumstances, legislation may prohibit the entering into certain types of lease agreements. If the entity has contravened these legislative requirements, the entity is still required to apply the requirements of GRAP 13.

Other than the above mentioned requirements, there is no other impact on the initial adoption of GRAP 13.

The following Directives also need to be considered:

Directive 2 - Transitional provisions for public entities, municipal entities and constitutional institutions requires retrospective application of the Standard.

Directive 3 - Transitional provisions for high capacity municipalities requires retrospective application of the Standard. Where items have not been recognised as a result of transitional provisions under the Standard of GRAP on Property, Plant and Equipment, the recognition requirements of the Standard would not apply to such items until the transitional provision in that Standard expires.

The effective date of the standard is for years beginning on or after 01 July 2008.

The municipality has adopted the standard for the first time in the 2009 annual financial statements.

The impact of the standard is set out in note 43 Changes in Accounting Policy.

GRAP 14: Events after the reporting date

An event, which could be favourable or unfavourable, that occurs between the reporting date and the date the annual financial statements are authorised for issue.



GRAP 14 requires the date of authorisation for issue is the date on which the annual financial statements have received approval from management to be issued to the executive authority or municipal council.

Two types of events can be identified:

- those that provide evidence of conditions that existed at the reporting date (adjusting events after the reporting date); and
- those that are indicative of conditions that arose after the reporting date (non-adjusting events after the reporting date).

An entity shall adjust the amounts recognised in its annual financial statements to reflect adjusting events after the reporting date.

An entity shall not adjust the amounts recognised in its annual financial statements to reflect non-adjusting events after the reporting date.

The effective date of the standard is for years beginning on or after 01 July 2008.

The municipality has adopted the standard for the first time in the 2009 annual financial statements.

The impact of the standard is set out in note 43 Changes in Accounting Policy.

GRAP 16: Investment Property

Investment property includes property held to earn rentals and/or for capital appreciation, rather than held to meet service delivery objectives, the production or supply of goods or services, or the sale of an asset in the ordinary course of an entity's operations.

GRAP 16 states that the use of property to provide housing as a social service does not qualify as investment property even though rentals are earned.

At initial recognition, investment property is measured at cost including transaction costs. However, where an entity acquires investment property through a non-exchange transaction (i.e. where it acquired the investment property for no or a nominal value), its cost is its fair value as at the date of acquisition.

The cost of self-constructed investment property is the cost at date of completion.

After initial recognition, entities can carry investment property at either the fair value (fair value model) or cost less accumulated depreciation and accumulated impairment (cost model).

An entity is required to disclose the fair value of investment property if the cost model is used. When an entity carries investment properties at fair value, the fair value needs to be determined at every reporting date. Gains or losses arising from changes in fair value are included in surplus or deficit for the period in which they arise.

The following Directives also need to be considered:

Directive 2 - Transitional provisions for public entities, municipal entities and constitutional institutions requires retrospective application of this Standard.



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Directive 3 - Transitional provisions for high capacity municipalities requires retrospective application of the Standard.

The effective date of the standard is for years beginning on or after 01 July 2008.

The impact of the standard is set out in note 43 Changes in Accounting Policy.

GRAP 17: Property, Plant and Equipment

GRAP 17 does not require or prohibit the recognition of heritage assets but if an entity recognises heritage assets the entity needs to comply with GRAP 17 disclosure requirements.

Additional commentary has been included in to clarify the applicability of infrastructure assets to be recognised in terms of GRAP 17.

Where an entity acquires an asset through a non-exchange transaction, i.e. for a nominal or no consideration, its cost is its fair value as at the date of acquisition.

The disclosure requirement for temporarily idle, fully depreciated property, plant and equipment and for property, plant and equipment that are retired from active use is required in GRAP 17 where as IAS 16 only encourages this disclosure.

The following Directives also need to be considered:

Directive 2 - Transitional provisions for public entities, municipal entities and constitutional institutions requires retrospective application of this Standard.

Directive 3 - Transitional provisions for high capacity municipalities requires retrospective application of the Standard. However, entities that applied the transitional provisions in the Standard of GAMAP on Property, Plant and Equipment may continue to take advantage of those transitional provisions until they expire.

The effective date of the standard is for years beginning on or after 01 July 2008.

The municipality has adopted the standard for the first time in the 2009 annual financial statements.

The impact of the standard is set out in note 43 Changes in Accounting Policy.

GRAP 19: Provisions, Contingent Liabilities and Contingent Assets

GRAP 19 exclude from its scope those provisions and contingent liabilities arising from social benefits for which it does not receive consideration that is approximately equal to the value of goods and services provided directly in return from the recipients of those benefits.

For the purpose of GRAP 19, social benefits refers to goods, services and other benefits provided in the pursuit of the social policy objective of a government. This Standard includes guidance on the accounting of these social benefits.

Outflow of resources embodying service potential also needs to be considered in when assessing if a present obligation that arises from past events exists or not.



The Standard includes accounting for obligations to make additional contributions to a fund. This is similar to the requirements of IFRIC5 (AC438).

It further includes the accounting for the changes in existing decommissioning, restoration and similar liabilities. This is similar to the requirements of IFRIC1 (AC434).

GRAP 19 give specific guidance regarding restructuring by way of transfers that will take place under a government directive and will not involve binding agreements. An obligation exists only when there is a binding transfer agreement.

Additional disclosure for each class of provision regarding reductions in the carrying amounts of provisions that result from payments or other outflows of economic benefits or service potential made during the reporting period and reductions in the carrying amounts of provisions resulting from remeasurement of the estimated future outflow of economic benefits or service potential, or from settlement of the provisions without cost to the entity.

If an external valuation is use to measure a provision the information relating to the valuation can usefully be disclosed.

Directive 2 - Transitional provisions for public entities, municipal entities and constitutional institutions requires retrospective application of this Standard.

Directive 3 - Transitional provisions for high capacity municipalities requires retrospective application of the Standard. However, where items have not been recognised as a result of transitional provisions under the Standard on Property, Plant and Equipment, the recognition requirements of the Standard on Provisions, Contingent Liabilities and Contingent Assets would not apply to such items until the transitional provisions in that Standard expire.

The effective date of the standard is for years beginning on or after 01 July 2008.

The municipality has adopted the standard for the first time in the 2009 annual financial statements.

The impact of the standard is set out in note 43 Changes in Accounting Policy.

GRAP 100: Non-current Assets Held for Sale and Discontinued Operations

GRAP 100 includes in its scope the reference to non-cash generating assets. It further includes definitions relevant to the understanding of the Standard e.g. "Non-cash-generating assets" areas sets other than cash-generating assets and "value in use of a non-cash-generating asset" is the present value of the asset's remaining service potential.

GRAP 100 excludes from the description of a discontinued operation reference to a subsidiary acquired exclusively with a view to resale.

Directive 2 - Transitional provisions for public entities, municipal entities and constitutional institutions requires prospective application of this Standard.



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Directive 3 - Transitional provisions for high capacity municipalities requires prospective application of the Standard. However, the Standard would not apply to those items that have not been recognised as a result of the transitional provisions under the Standard of Property, Plant and Equipment until the transitional provision in that Standard expires.

The effective date of the standard is for years beginning on or after 01 July 2008.

The municipality has adopted the standard for the first time in the 2009 annual financial statements.

The impact of the standard is set out in note 43 Changes in Accounting Policy.

GRAP 101: Agriculture

GRAP 101 excludes guidance on accounting for non-exchange revenue from government grants related to a biological asset as GRAP 23 on Revenue from Non-Exchange Transactions will provide such guidance.

Recognition requirement includes the concept of the probable flow of service potential.

Biological assets acquired at no or for a nominal value shall be measured on initial recognition and at each reporting date at its fair value less estimated point-of-sale costs.

Additional disclosure is required of biological assets for which the entity's use or capacity to sell is subject to restrictions imposed by regulations that have a significant impact on their total fair valueless estimated point-of-sale costs.

In the reconciliation of changes in the carrying amount of biological assets between the beginning and the end of the current period it is also required to disclose increases or decreases due to transfers.

The following Directives also need to be considered:

Directive 2 - Transitional provisions for public entities, municipal entities and constitutional institutions requires retrospective application of this Standard.

Directive 3 - Transitional provisions for high capacity municipalities requires any adjustments required to the previous carrying amounts of assets and net assets shall be recognised as an adjustment to the opening balance of accumulated surplus or deficit in the period that the Standard initially adopted. Comparative information is not required to be restated on initial adoption of this Standard.

The effective date of the standard is for years beginning on or after 01 July 2008.

The municipality has adopted the standard for the first time in the 2009 annual financial statements.

The impact of the standard is set out in note 43 Changes in Accounting Policy.

GRAP 102: Intangible Assets

GRAP 102 excludes guidance on accounting for intangible assets acquired as part of an entity combination and in-process research and development costs acquired in an entity combination.



Recognition requirement includes the concept of the probable flow of service potential.

GRAP 102 distinguishes between impairment loss of cash generating and non-cash-generating assets.

Intangible assets acquired at no or for a nominal cost shall be measured on acquisition date at its fair value.

In GRAP 102 the identifiable criterion in the definition of an intangible asset has been expanded to include contractual rights arising from binding arrangements, and to exclude rights granted by statute.

Additional guidance included in GRAP 102 to explain that distinction should be made between assets associated with the item of property, plant and equipment and the intangible asset.

Guidance on web site costs has been included in GRAP 102 from SIC Interpretation 32 Intangible Assets – Web Site Costs.

Guidance on intangible assets that may be acquired in exchange for non-monetary assets, where the exchange transaction lacks commercial substance has not been included in GRAP 102 as guidance to be included in GRAP 23.

GRAP 102 does not state “gains shall not be classified as revenue” as GRAP term “income” has a broader meaning than the term “revenue”.

Directive 2 - Transitional provisions for public entities, municipal entities and constitutional institutions requires retrospective application of this Standard.

Directive 3 - Transitional provisions for high capacity municipalities requires retrospective application of the Standard. Where entities have, on initial adoption of the Standard, accumulated and retained sufficient information about costs and the future economic benefits or service potential related to intangible assets that may have been expensed previously, those intangible assets should be recognised in accordance with the Standard.

The effective date of the standard is for years beginning on or after 01 July 2008.

The municipality has adopted the standard for the first time in the 2009 annual financial statements.

The impact of the standard is set out in note 43 Changes in Accounting Policy.

GRAP 1: Interpretation of GRAP: Applying the Probability Test on Initial Recognition of Exchange Revenue

An entity assesses the probability of each transaction on an individual basis when it occurs. Entities shall not assess the probability on an overall level based on the payment history of recipients of the service in general when the probability of revenue is assessed at initial recognition.

The full amount of revenue will be recognised at initial recognition. Assessing impairment is an event that takes place subsequently to initial recognition. Such impairment is an expense. Revenue is not reduced by this expense.

The effective date of the interpretation is for years beginning on or after 01 July 2008.



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The municipality has adopted the interpretation for the first time in the 2009 annual financial statements.

The impact of the interpretation is set out in note 43 Changes in Accounting Policy.

IPSAS 21: Impairment of Non Cash-Generating Assets

The method of measurement of value in use of a non-cash-generating asset under this Standard is different to that applied to a cash generating asset.

Asset should be measured by reference to the present value of the remaining service potential of the asset.

Determining value in use (present value of remaining service potential) of a non-cash-generating asset, may be the depreciated replacement cost approach, restoration cost approach and service units approach.

This Standard does not require entities to apply an impairment test to property, plant and equipment carried at revalued amounts.

This Standard does not include a decrease in market value significantly greater than would be expected as a result of the passage of time or normal use as a minimum indication of impairment. This indication is included as an additional indication that impairment may exist.

The effective date of the standard is for years beginning on or after 01 July 2008.

The municipality has adopted the standard for the first time in the 2009 annual financial statements.

The impact of the standard is set out in note 43 Changes in Accounting Policy.

IPSAS 20: Related Party Disclosure

IPSAS 20 specifically excludes any consideration provided to key management personnel solely as a reimbursement for expenditure incurred by those individuals for the benefit of the reporting entity.

The effective date of the standard is for years beginning on or after 01 July 2008.

The municipality has adopted the standard for the first time in the 2009 annual financial statements.

The impact of the standard is set out in note 43 Changes in Accounting Policy.

2.2 Standards and interpretations not yet effective

The municipality has chosen not to early adopt the following standards and interpretations, which have been published and are mandatory for the municipality's accounting periods beginning on or after 01 July 2009 or later periods:



GRAP 18: Segment Reporting

Segments are identified by the way in which information is reported to management, both for purposes of assessing performance and making decisions about how future resources will be allocated to the various activities undertaken by the entity. The major classifications of activities identified in budget documentation will usually reflect the segments for which an entity reports information to management.

Segment information is either presented based on service or geographical segments. Service segments relate to a distinguishable component of an entity that provides specific outputs or achieves particular operating objectives that are in line with the entity's overall mission. Geographical segments relate to specific outputs generated, or particular objectives achieved, by an entity within a particular region.

This Standard has been approved by the Board but its effective date has not yet been determined by the Minister of Finance. The effective date indicated is a provisional date and could change depending on the decision of the Minister of Finance.

Directive 2 - Transitional provisions for public entities, municipal entities and constitutional institutions, states that no comparative segment information need to be presented on initial adoption of this Standard.

Directive 3 - Transitional provisions for high capacity municipalities states that no comparative segment information need to be presented on initial adoption of the Standard. Where items have not been recognised as a result of transitional provisions under the Standard of GRAP on Property, Plant and Equipment, recognition requirements of this Standard would not apply to such items until the transitional provision in that Standard expires.

The effective date of the standard is for years beginning on or after 01 April 2011.

The municipality expects to adopt the standard for the first time in the 2012 annual financial statements.

It is unlikely that the standard will have a material impact on the municipality's annual financial statements.

GRAP 23: Revenue from Non-exchange Transactions

Revenue from non-exchange transactions arises when an entity receives value from another entity without directly giving approximately equal value in exchange. An asset acquired through a non-exchange transaction shall initially be measured at its fair value as at the date of acquisition.

This revenue will be measured at the amount of increase in net assets recognised by the entity.

An inflow of resources from a non-exchange transaction recognised as an asset shall be recognised as revenue, except to the extent that a liability is recognised for the same inflow. As an entity satisfies a present obligation recognised as a liability in respect of an inflow of resources from a non-exchange transaction recognised as an asset, it will reduce the carrying amount of the liability recognised as an amount equal to that reduction.

This Standard has been approved by the Board but its effective date has not yet been determined by the Minister of Finance. The effective date indicated is a provisional date and could change depending on the decision of the Minister of Finance.

The effective date of the standard is for years beginning on or after 01 April 2010.



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The municipality expects to adopt the standard for the first time in the 2011 annual financial statements.

The adoption of this standard is not expected to impact on the results of the municipality, but may result in more disclosure than is currently provided in the annual financial statements.

GRAP 24: Presentation of Budget Information in the Financial Statements

Subject to the requirements of paragraph .19, an entity shall present a comparison of the budget amounts for which it is held publicly accountable and actual amounts either as a separate additional financial statement or as additional budget columns in the financial statements currently presented in accordance with Standards of GRAP. The comparison of budget and actual amounts shall present separately for each level of legislative oversight:

- the approved and final budget amounts;

- by way of note disclosure, an explanation of material differences between the budget for which the entity is held publicly accountable and actual amounts, unless such explanation is included in other public documents issued in conjunction with the financial statements, and a cross reference to those documents is made in the notes.

Where an entity prepares its budget and annual financial statements on a comparable basis, it includes the comparison as an additional column in the primary annual financial statements. Where the budget and annual financial statements are not prepared on a comparable basis, a separate statement is prepared called the 'Statement of Comparison of Budget and Actual Amounts'. This statement compares the budget amounts with the amounts in the annual financial statements adjusted to be comparable to the budget.

A comparable basis means that the budget and annual financial statements:

- are prepared using the same basis of accounting i.e. either cash or accrual;
- include the same activities and entities;
- use the same classification system; and
- are prepared for the same period.

This Standard has been approved by the Board but its effective date has not yet been determined by the Minister of Finance. The effective date indicated is a provisional date and could change depending on the decision of the Minister of Finance.

The effective date of the standard is for years beginning on or after 01 April 2010.

The municipality expects to adopt the standard for the first time in the 2011 annual financial statements.

It is unlikely that the standard will have a material impact on the municipality's annual financial statements.

2.3 Standards and interpretations not yet effective or relevant

The following standards and interpretations have been published and are mandatory for the municipality's accounting periods beginning on or after 01 July 2009 or later periods but are not relevant to its operations:

GRAP 10: Financial Reporting in Hyperinflationary Economies

GRAP 10 includes additional guidance as adopted from Financial Reporting in Hyperinflationary Economies (IFRIC 7) on Applying the Restatement Approach.



The initial application of GRAP 4 will have no impact on the annual financial statements.

The effective date of the standard is for years beginning on or after 01 July 2008.

The municipality does not envisage the adoption of the standard until such time as it becomes applicable to the municipality's operations.

It is unlikely that the standard will have a material impact on the municipality's annual financial statements.

GRAP 11: Construction Contracts

The definition for "construction contract" was expanded by including a binding arrangement that do not take the form of a legal contract within the scope of the Standard.

Definition for "cost plus or cost based contract" has been expanded to include commercially-based contract.

The scope has been expanded to include cost based and non-commercial contracts.

Public entities need to review contracts to determine whether they fall within the scope of the Standard based on the above changes.

GRAP 11 incorporates the concept of service potential in the condition to determine whether the outcome of a construction contract can be estimated reliably. The requirement to recognise an expected deficit on a contract immediately when it becomes probable that contract costs will exceed total contract revenue applies only to contracts in which it is intended at the inception of the contract that contract costs are to be fully recovered from the parties to that contract (par.47).

Other than the above requirements, there is no other affect on initial adoption of GRAP 11.

The following Directives also need to be considered:

Directive 2 - Transitional provisions for public entities, municipal entities and constitutional institutions requires retrospective application of this Standard.

Directive 3 - Transitional provisions for high capacity municipalities requires retrospective application of the Standard.

The effective date of the standard is for years beginning on or after 01 July 2008.

The municipality does not envisage the adoption of the standard until such time as it becomes applicable to the municipality's operations.

It is unlikely that the standard will have a material impact on the municipality's annual financial statements.

GRAP 103: Heritage Assets

Grp 103 defines heritage assets as assets which have a cultural, environmental, historical, natural, scientific, technological or artistic significance and are held indefinitely for the benefit of present and future generations.



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Certain heritage assets are described as inalienable items thus assets which are retained indefinitely and cannot be disposed of without consent as required by law or otherwise.

A heritage asset should be recognised as an asset only if:

- it is probable that future economic benefits or service potential associated with the asset will to the municipality;
- and
- the cost or fair value of the asset can be measured reliably.

The standard required judgment in applying the initial recognition criteria to the specific circumstances surrounding the entity and the assets.

Grp 103 states that a heritage asset should be measured at its cost unless it is acquired through a non-exchange transaction which should then be measured at its fair value as at the date of acquisition.

In terms of the standard, an entity has a choice between the cost and revaluation model as accounting policy for subsequent recognition and should apply the chosen policy to an entire class of heritage assets.

The cost model requires a class of heritage assets to be carried at its cost less any accumulated impairment losses.

The revaluation model required a class of heritage assets to be carried at its fair value at the date of the revaluation less any subsequent impairment losses. The standard also states that a restriction on the disposal of a heritage asset does not preclude the entity from determining the fair value.

Grp 103 prescribes that when determining the fair value of a heritage asset that has more than one purpose, the fair value should reflect both the asset's heritage value and the value obtained from its use in the production or supply of goods or services or for administrative purposes.

If a heritage asset's carrying amount is increased as a result of a revaluation, the increase should be credited directly to a revaluation surplus. However, the increase should be recognised in surplus or deficit to the extent that it reverses a revaluation decrease of the same heritage asset previously recognised in surplus or deficit. If a heritage asset's carrying amount is decreased as a result of a revaluation, the decrease should be recognised in surplus or deficit. However, the decrease should be debited directly to a revaluation surplus to the extent of any credit balance existing in the revaluation surplus in respect of that heritage asset.

Grp 103 states that a heritage asset should not be depreciated but an entity should assess at each reporting date whether there is an indication that it may be impaired.

In terms of the standard, compensation from third parties for heritage assets that have been impaired, lost or given up, should be included in surplus or deficit when the compensation becomes receivable.



For a transfer from heritage assets carried at a revalued amount to property, plant and equipment, investment property, inventories or intangible assets, the asset's deemed cost for subsequent accounting should be its revalued amount at the date of transfer. The entity should treat any difference at that date between the carrying amount of the heritage asset and its fair value in the same way as a revaluation in accordance with this Standard. If an item of property, plant and equipment or an intangible asset carried at a revalued amount, or investment property carried at fair value is reclassified as a heritage asset carried at a revalued amount, the entity applies the applicable Standard of GRAP to that asset up to the date of change. The entity treats any difference at that date between the carrying amount of the asset and its fair value in accordance with the applicable Standard of GRAP relating to that asset. For a transfer from investment property carried at fair value, or inventories to heritage assets at a revalued amount, any difference between the fair value of the asset at that date and its previous carrying amount should be recognised in surplus or deficit.

The carrying amount of a heritage asset should be derecognised:

on disposal, or

when no future economic benefits or service potential are expected from its use or disposal.

The gain or loss arising from the derecognition of a heritage asset should be determined as the difference between the net disposal proceeds, if any, and the carrying amount of the heritage asset. Such difference is recognised in surplus or deficit when the heritage asset is derecognised.

The effective date of the standard is for years beginning on or after 01 July 2008.

The municipality expects to adopt the standard for the first time in the 2008 annual financial statements.

The aggregate impact of the initial application of the statements and interpretations on the municipality's annual financial statements is expected to be as follows:

| Notes to the Annual Financial Statements | Municipality | | Group |
|--|--------------|-----------|-----------|
| | 2009 R | 2008 R | 2009 R |

3. Inventories

| | | | |
|---------------------------|--------------------------|--------------------------|--------------------------|
| Forestry | 37,475,123 | 30,827,856 | 37,475,123 |
| Consumable stores | 27,346,448 | 23,529,230 | 27,346,448 |
| Workshop stores | 674,292 | 674,456 | 674,292 |
| Unused water | 1,451,267 | 1,201,016 | 1,451,267 |
| Fuel -diesel & petrol | 471,002 | 712,807 | 471,002 |
| | <u>67,418,132</u> | <u>56,945,365</u> | <u>67,418,132</u> |
| Impairment of inventories | <u>(3,113,172)</u> | <u>(3,113,172)</u> | <u>(3,113,172)</u> |
| | <u>64,304,960</u> | <u>53,832,193</u> | <u>64,304,960</u> |

No impairment was done for inventories during the financial year.



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| Notes to the Annual Financial Statements | Municipality | | Group |
|--|----------------------|----------------------|----------------------|
| | 2009 R | 2008 R | 2009 R |
| 4. Trade and other receivables from non exchange transactions | | | |
| Other debtors -discounted interest | (385,314) | - | (385,314) |
| Other debtors | 16,955,403 | 30,533,888 | 16,955,403 |
| Land sale debtors | 2,365,471 | 2,416,362 | 2,365,471 |
| | 18,935,560 | 32,950,250 | 18,935,560 |
| | 18,935,560 | 32,950,250 | 18,935,560 |
| 5. VAT | | | |
| VAT | - | 5,896,918 | |
| 6. Consumer debtors | | | |
| Gross balance | | | |
| Rates | 137,934,216 | 163,896,355 | 137,934,216 |
| Electricity | 217,951,333 | 133,565,857 | 217,951,333 |
| Water | 77,166,555 | 84,341,816 | 77,166,555 |
| Sewerage | 11,774,192 | 15,606,946 | 11,774,192 |
| Refuse | 23,155,762 | 29,412,206 | 23,155,762 |
| Housing rental | 11,437,719 | 8,617,862 | 11,437,719 |
| Financial instruments -discounted interest | 22,891,141 | | 22,891,141 |
| | 502,310,918 | 435,441,042 | 502,310,918 |
| Less: Provision for doubtful debts | | | |
| Rates & General -sewerage,refuse | (36,769,018) | (45,932,004) | (36,769,018) |
| Electricity | (121,224,104) | (75,872,606) | (121,224,104) |
| Water | (24,007,312) | (56,787,808) | (24,007,312) |
| | (182,000,434) | (178,592,418) | (182,000,434) |



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| Notes to the Annual Financial Statements | Municipality | | Group |
|---|--------------------|--------------------|--------------------|
| | 2009 R | 2008 R | 2009 R |
| Net balance | | | |
| Rates | 101,165,198 | 117,964,351 | 101,165,198 |
| Electricity | 96,727,229 | 57,693,251 | 96,727,229 |
| Water | 53,159,243 | 27,554,008 | 53,159,243 |
| Sewerage | 11,774,192 | 15,606,946 | 11,774,192 |
| Refuse | 23,155,762 | 29,412,206 | 23,155,762 |
| Housing rental | 11,437,719 | 8,617,862 | 11,437,719 |
| Financial instruments -discounted interest | 22,891,141 | | 22,891,141 |
| | 320,310,484 | 256,848,624 | 320,310,484 |
| Rates | | | |
| Current (0 -30 days) | 32,322,279 | 31,442,759 | 32,322,279 |
| 31 -60 days | 4,600,076 | 6,834,830 | 4,600,076 |
| 61 -90 days | 4,022,221 | 6,516,710 | 4,022,221 |
| 91 -120 days | 3,467,448 | 4,388,852 | 3,467,448 |
| 121 -365 days | 3,137,053 | 4,963,377 | 3,137,053 |
| > 365 days | 90,385,139 | 109,749,827 | 90,385,139 |
| | 137,934,216 | 163,896,355 | 137,934,216 |
| Electricity, refuse, sewerage, water & housing rentals | | | |
| Current (0 -30 days) | 116,141,788 | 101,582,467 | 116,141,788 |
| 31 -60 days | 17,232,177 | 11,486,327 | 17,232,177 |
| 61 -90 days | 14,520,339 | 8,600,647 | 14,520,339 |
| 91 -120 days | 10,866,079 | 7,874,561 | 10,866,079 |
| 121 -365 days | 10,893,474 | 7,583,886 | 10,893,474 |
| > 365 days | 171,831,704 | 134,407,463 | 171,831,704 |
| | 341,485,561 | 271,535,351 | 341,485,561 |
| Summary of debtors by customer classification | | | |
| Consumers | | | |
| Current (0 -30 days) | 63,315,544 | 66,633,154 | 63,315,544 |
| 31 -60 days | 12,593,391 | 13,461,596 | 12,593,391 |
| 61 -90 days | 11,310,589 | 10,537,887 | 11,310,589 |
| 91 -120 days | 9,632,243 | 10,546,236 | 9,632,243 |
| 121 -365 days | 9,325,122 | 10,720,769 | 9,325,122 |
| > 365 days | 163,370,417 | 124,227,523 | 163,370,417 |
| | 269,547,306 | 236,127,165 | 269,547,306 |
| Less: Provision for doubtful debts | (154,700,369) | 154,083,500 | (154,700,369) |
| | 114,846,937 | 390,210,665 | 114,846,937 |



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| Notes to the Annual Financial Statements | Municipality | | Group |
|--|----------------------|----------------------|----------------------|
| | 2009 R | 2008 R | 2009 R |
| Current (0 -30 days) | 71,772,015 | 69,573,946 | 71,772,015 |
| 31 -60 days | 4,138,520 | 4,445,679 | 4,138,520 |
| 61 -90 days | 2,667,417 | 4,040,032 | 2,667,417 |
| 91 -120 days | 2,060,958 | 2,445,386 | 2,060,958 |
| 121 -365 days | 1,739,901 | 2,338,562 | 1,739,901 |
| > 365 days | 40,777,711 | 19,724,970 | 40,777,711 |
| | 123,156,522 | 102,568,575 | 123,156,522 |
| Less: Provision for doubtful debts | (27,300,065) | (24,508,918) | (27,300,065) |
| | 95,856,457 | 78,059,657 | 95,856,457 |
| National and provincial government | | | |
| Current (0 -30 days) | 10,153,493 | 6,323,565 | 10,153,493 |
| 31 -60 days | 4,578,913 | 5,917,036 | 4,578,913 |
| 61 -90 days | 4,157,454 | 4,986,558 | 4,157,454 |
| 91 -120 days | 2,436,751 | 3,849,032 | 2,436,751 |
| 121 -365 days | 2,686,489 | 2,961,524 | 2,686,489 |
| > 365 days | 62,704,221 | 72,698,253 | 62,704,221 |
| | 86,717,321 | 96,735,968 | 86,717,321 |
| Reconciliation of bad debt provision | | | |
| Balance at beginning of the year | (178,592,418) | (207,017,944) | (178,592,418) |
| Contributions to provision | (10,000,000) | (70,000,000) | (10,000,000) |
| Bad debts written off against provision | 6,591,984 | 98,425,526 | 6,591,984 |
| | (182,000,434) | (178,592,418) | (182,000,434) |

Credit quality of consumer debtors

Trade receivables comprise of a widespread customer base consisting of domestic, commercial and government consumers.



| Notes to the Annual Financial Statements | Municipality | | Group |
|---|--------------------|--------------------|--------------------|
| | 2009 R | 2008 R | 2009 R |
| 7. Cash and cash equivalents | | | |
| Cash and cash equivalents consist of: | | | |
| Cash on hand | 45,590 | 40,680 | 46,746 |
| Bank balances | 19,246,950 | 3,383,985 | 19,258,293 |
| Short-term deposits | 93,574,692 | 260,420,761 | 93,761,648 |
| Other cash and cash equivalents | | | 600,000 |
| | <u>112,867,232</u> | <u>263,845,426</u> | <u>113,666,687</u> |
| Cash and cash equivalents are classified as financial instruments under the loans and receivable category. Due to the short term nature of these investments no amortisation was performed. | | | |
| Fair value is taken at face value. | | | |
| | 10,000,000 | 10,000,000 | |
| The total amount of undrawn facilities available for future operating activities and commitments | | | |
| Average rate of return | 7.25 | 11.72 | |
| For each year | | | |



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| Bank/Account number | Bank balances | | | Cash book balances | | |
|--|-------------------|-------------------|-------------------|--------------------|------------------|---------------------|
| | 30 June 2009 | 30 June 2008 | 30 June 2007 | 30 June 2009 | 30 June 2008 | 30 June 2007 |
| FNB - No: 5094187782 (Primary) | 17,564,736 | 8,816,824 | 11,871,254 | 11,586,616 | 1,280,210 | (16,650,128) |
| FNB - No: 62006041157 (Post office) | - | - | - | - | (700) | 1,618,218 |
| FNB - No: 5090058750 (Electronic transfers) | - | 69,867 | 4,426 | 1,000 | - | - |
| FNB - No: 5094187774 (Unpaid cheques) | (34,906) | (39,321) | (60,196) | (34,906) | (39,321) | - |
| FNB - No: 62058007264 (Slum clearance) | 25,581,036 | 12,882,783 | 6,839,061 | 26,652,854 | 12,966,982 | 6,882,062 |
| FNB - No: 62065528930 (Library extension) | 5,671,854 | 6,241,291 | 85,101 | 5,688,294 | 6,282,327 | 85,935 |
| FNB - No: 62052319756 (Restructuring grant) | - | 4,642,437 | 7,162,613 | - | 4,642,437 | 7,162,613 |
| FNB - No: 62045272143 (Traffic fines) | 28,853 | 29,250 | 29,250 | - | - | - |
| FNB - No: 50941840627 (Market) | 2,119,320 | 1,387,910 | 1,866,045 | - | - | - |
| FNB - No: 62069378539 (Orlambi airport) | 143,935 | (325,444) | 43,489 | (529,356) | (548,330) | (266,959) |
| FNB - No: 50930082248 (Forestry) | 123,752 | 314,972 | 186,113 | 123,752 | 314,972 | 439,105 |
| ABSA - No: 9076022706 (Forestry) | 1,109,330 | 1,221,371 | 1,018,285 | 1,109,330 | 1,221,371 | 1,018,285 |
| Forestry service operations (Ledger account) | - | - | - | (18,945,289) | (18,945,289) | (18,945,289) |
| FNB - No: 50941849512 (Metro transport) | - | 964,563 | 765,771 | - | 964,563 | - |
| FNB - No: 50941847029 (Salaries main) | 405,837 | 307,040 | (26,611) | 405,837 | 98,671 | (265,022) |
| FNB - No: 62003432846 (Salaries PACs no.1) | - | - | 4,333 | - | - | - |
| FNB - No: 62003433414 (Salaries PACs no.2) | 606,023 | 388,588 | 161,519 | - | - | - |
| Total | 53,319,770 | 36,902,131 | 29,950,453 | 26,058,132 | 8,237,893 | (18,921,180) |

Bank/Account number

The municipality had the following bank accounts

FNB - No: 5094187782 (Primary)
 FNB - No: 62006041157 (Post office)
 FNB - No: 5090058750 (Electronic transfers)
 FNB - No: 5094187774 (Unpaid cheques)
 FNB - No: 62058007264 (Slum clearance)
 FNB - No: 62065528930 (Library extension)
 FNB - No: 62052319756 (Restructuring grant)
 FNB - No: 62045272143 (Traffic fines)
 FNB - No: 50941840627 (Market)
 FNB - No: 62069378539 (Orlambi airport)
 FNB - No: 50930082248 (Forestry)
 ABSA - No: 9076022706 (Forestry)
 Forestry service operations (Ledger account)
 FNB - No: 50941849512 (Metro transport)
 FNB - No: 50941847029 (Salaries main)
 FNB - No: 62003432846 (Salaries PACs no.1)
 FNB - No: 62003433414 (Salaries PACs no.2)

Total



8. Property, plant and equipment

2009

2008

| | Cost / Valuation | Accumulated depreciation | Carrying value | Cost / Valuation | Accumulated depreciation | Carrying value |
|---|----------------------|-----------------------------|----------------------|----------------------|-----------------------------|----------------------|
| Buildings | 393,048,071 | - | 393,048,071 | 133,547,263 | (25,233,600) | 108,313,663 |
| Furniture and fixtures | 64,615 | (24,854) | 39,761 | 64,615 | (11,931) | 52,684 |
| Office equipment | 7,000 | (5,852) | 1,148 | 7,000 | (4,452) | 2,548 |
| IT Equipment | 38,799 | (28,386) | 10,413 | 31,600 | (16,742) | 14,858 |
| Infrastructure | 4,651,201,752 | - | 4,651,201,752 | 1,322,205,494 | (662,188,448) | 660,017,046 |
| Community | 527,434,647 | - | 527,434,647 | 185,098,720 | (48,427,056) | 136,671,664 |
| Other property, plant and equipment | 889,531,718 | (278,849,930) | 610,681,788 | 1,586,753,972 | (1,250,471,711) | 336,282,261 |
| Other property, plant and equipment - biological assets | 688,383 | - | 688,383 | 602,670 | - | 602,670 |
| Total | 6,462,014,985 | (278,909,022) | 6,183,105,963 | 3,228,311,334 | (1,986,353,940) | 1,241,957,394 |

Reconciliation of property, plant and equipment
- 2009

| | Opening Balance | Additions | Capital under construction | Change in accounting policy | Total |
|---|----------------------|---------------|-------------------------------|-----------------------------------|----------------------|
| Buildings | 108,313,663 | - | (534,167,000) | 818,901,408 | 393,048,071 |
| Furniture and fixtures | 52,684 | - | - | (12,923) | 39,761 |
| Office equipment | 2,548 | - | - | (1,400) | 1,148 |
| IT Equipment | 14,858 | 7,198 | - | (11,644) | 10,412 |
| Infrastructure | 660,017,046 | - | - | 3,991,184,706 | 4,651,201,752 |
| Community | 136,671,664 | - | - | 390,762,983 | 527,434,647 |
| Other property, plant and equipment | 336,282,261 | - | - | 274,399,527 | 610,681,788 |
| Other property, plant and equipment - biological assets | 602,670 | 85,713 | - | - | 688,383 |
| Total | 1,241,887,304 | 85,713 | (534,167,000) | 5,494,498,291 | 6,183,105,963 |



The Dynamic, Caring Capital City of Choice in KZN

Reconciliation of property, plant and equipment - 2008

| | Opening Balance | Additions | Disposals | Transfers | Change in accounting policy | Depreciation | Total |
|---|----------------------|-------------------|------------------|--------------------|-----------------------------|---------------------|----------------------|
| Buildings | 108,390,363 | 835,281 | (278,423) | 2,436,766 | - | (3,070,324) | 108,313,663 |
| Infrastructure | 566,705,510 | 38,329,746 | (30,978) | 114,431,418 | - | (59,418,650) | 660,017,046 |
| Community | 129,280,345 | 8,731,365 | - | 5,172,866 | - | (6,512,912) | 136,671,664 |
| Other property, plant and equipment | 336,341,369 | 16,845,477 | (229,621) | 9,952,792 | - | (26,627,756) | 336,282,261 |
| Other property, plant and equipment - biological assets | - | 520,943 | - | - | 81,727 | - | 602,670 |
| | 1,140,717,587 | 65,262,812 | (539,022) | 131,993,842 | 81,727 | (95,629,642) | 1,241,887,304 |



Refer Appendix B and B1 for the detailed property, plant and equipment schedules.

As disclosed in the previous year the municipality adheres to the requirements of the National Treasury Guidelines as per MFMA circular no.18 dated 23 June 2005 which states that it is paramount to prepare a process a map to obtain infrastructure assets information over a number of years. During the year the municipality implemented a process to identify record, value and manage the infrastructure assets.

This resulted in a reconstructed fixed asset register for infrastructure assets. The key issues in this regard are as follows:

Physical verification and valuation

- * All the infrastructure assets have been physically verified during the year by specialists. During this process the asset location, condition and maintenance history was recorded and evaluated.
- * The assets have been valued by an independent valuator and are effective on 30 June 2009.
- * Due to the specialised nature of the assets, and market availability of information, the depreciated replacement cost method was used
- * A 100% verification and condition assessment was done except for storm water and sewerage due to the nature of the assets and the fact that the assets are underground
- * In the case of inaccessible assets various methods were employed to record and value the assets. These assets are reflected in the asset register as "polygon assets". A polygon asset that is referenced by a geographically referenced area and the actual portion and detail of the asset estimated within this geographical area. As the assets are maintained or a process implemented to more accurately record these assets the polygon can be broken down into detail components.

Retrospective application of the effects of implementation of GRAP 17

- * The implementation of GRAP 17 is a change in accounting policy. In terms of GRAP 3 changes in accounting policy should be applied retrospectively unless it is impractical.
- * Due to the historical lack of detail on infrastructure asset information and the requirements to record infrastructure assets into significant components, reconciliation between the old register and new register is not possible. For this reason the retrospective application of the infrastructure asset information is not impractical. The municipality elected to apply the implementation of GRAP 17 prospectively and that the valuation of the assets as the deemed cost of the assets as at 30 June 2009.

Disclosure of the asset information

- *As the valuation is effective on 30 June 2009 and the fact that the change in accounting policy is applied prospectively, the asset information based on the old register is disclosed in the financial statements. In addition to this the reconciliation between the carrying value of the old assets with the deemed cost of the new register is disclosed.



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Deemed cost adjustment

*The value of the assets as determined by the valuers will be treated as the deemed cost on 30 June 2009. The difference in value between the global amount reflected per categories in the accounting records and the global amounts of the categories in the new asset register will be treated as a deemed cost adjustment. This adjustment is made directly to the reserves.

*Future depreciation will be offset with the related amount of the deemed cost adjustment. The purpose of this process is to promote community equity by ensuring that future depreciation expenses incurred will be offset against the deemed cost adjustment.



9. Intangible assets

| | 2009 | | | 2008 | | |
|--------------------------|---------------------|-----------------------------|-------------------|---------------------|-----------------------------|-------------------|
| | Cost / Valuation | Accumulated amortisation | Carrying value | Cost / Valuation | Accumulated amortisation | Carrying value |
| Computer software, other | 3,077,712 | - | 3,077,712 | 11,085,183 | (10,181,487) | 903,696 |
| Servitudes | 176,686 | - | 176,686 | 176,686 | - | 176,686 |
| Total | 3,254,398 | | 3,254,398 | 11,261,869 | (10,181,487) | 1,080,382 |

Reconciliation of intangible assets - 2009

| | Opening Balance | Change in accounting policy | Total |
|--------------------------|--------------------|-----------------------------------|------------------|
| Computer software, other | 903,696 | 2,174,016 | 3,077,712 |
| Servitudes | 176,686 | - | 176,686 |
| Total | 1,080,382 | 2,174,016 | 3,254,398 |

Reconciliation of intangible assets - 2008

| | Opening Balance | Additions | Amortisation | Total |
|--------------------------|--------------------|----------------|------------------|------------------|
| Computer software, other | 1,457,712 | 256,614 | (810,630) | 903,696 |
| Servitudes | - | 176,686 | - | 176,686 |
| Total | 1,457,712 | 433,300 | (810,630) | 1,080,382 |



10. Investment property

| 2008 | | |
|---------------------|-----------------------------|-------------------|
| Cost / Valuation | Accumulated depreciation | Carrying value |
| | - | - |

Investment property

| 2009 | | |
|---------------------|-----------------------------|-------------------|
| Cost / Valuation | Accumulated depreciation | Carrying value |
| 534,167,000 | - | 534,167,000 |

Reconciliation of investment property - 2009

| Opening Balance | Transfers | Total |
|--------------------|-------------|-------------|
| - | 534,167,000 | 534,167,000 |

Investment property

Other disclosures

Included in the land and building are items that may meet the definition of investment properties because the municipality has not yet finalised the process to identify investment properties for reporting purposes. This process will be finalised during the 2009/2010 financial year. In addition this task will also identify unsold properties.



| Notes to the Annual Financial Statements | Municipality | | Group |
|--|--------------|-----------|-----------|
| | 2009 R | 2008 R | 2009 R |

11. Long -term receivables

| | | | |
|---|------------------|------------------|------------------|
| Housing | 4,283,354 | 6,458,894 | 4,283,354 |
| Loans to education facilities & sporting bodies | 403,038 | 440,012 | 403,038 |
| Staff loan | - | 7,854 | - |
| | 4,686,392 | 6,906,760 | 4,686,392 |

Current portion of housing debtors 2009: R 1 492 047
and 2008: R 1 566 596.

12. Current portion - other financial assets

| | | | |
|--|------------------|------------------|------------------|
| Fixed deposits -long to medium term investment | 1,930,842 | 1,934,689 | 1,930,842 |
| Non-current assets | | | |
| At fair value through profit or loss -designated | 70,842 | 74,689 | 70,842 |
| Current assets | | | |
| At fair value through profit or loss | 1,860,000 | 1,860,000 | 1,860,000 |
| | 1,930,842 | 1,934,689 | 1,930,842 |

Fair values are determined annually at statement of
financial position date.

13. Current portion of long -term liabilities

| | | | |
|---|--------------------|--------------------|--------------------|
| External loan liability | 41,868,718 | 34,365,986 | 41,868,718 |
| Finance lease liability | 5,236,693 | 6,178,501 | 5,236,693 |
| | 47,105,411 | 40,544,487 | 47,105,411 |
| Long term liabilities net of current portion of long term liabilities | | | |
| Finance lease and external loan liability | 371,716,196 | 336,768,253 | 371,716,196 |
| | 418,821,607 | 377,312,740 | 418,821,607 |
| Long -term liabilities | | | |
| At amortised cost | 371,716,196 | 336,768,253 | 371,716,196 |
| Current liabilities | | | |
| Current portion of long term liabilities | 47,105,411 | 40,544,487 | 47,105,411 |
| | 418,821,607 | 377,312,740 | 418,821,607 |



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| Notes to the Annual Financial Statements | Municipality | | Group |
|--|--------------|-------------|-------------|
| | 2009 R | 2008 R | 2009 R |
| 14. Finance lease obligation | | | |
| Minimum lease payments due | | | |
| -within one year | 6,797,447 | 9,795,273 | 6,797,447 |
| -in second to fifth year inclusive | 12,186,424 | 19,001,823 | 12,186,424 |
| -later than five years | 1,066,959 | 1,049,009 | 1,066,959 |
| | 20,050,830 | 29,846,105 | 20,050,830 |
| less: future finance charges | 2,560,800 | 4,991,341 | 2,560,800 |
| Present value of minimum lease payments | 22,611,630 | 34,837,446 | 22,611,630 |
| Present value of minimum lease payments due | | | |
| -within one year | 6,432,791 | 9,137,486 | 6,432,791 |
| -in second to fifth year inclusive | 10,132,975 | 13,663,756 | 10,132,975 |
| -later than five years | 924,264 | 2,053,522 | 924,264 |
| | 17,490,030 | 24,854,764 | 17,490,030 |
| Non-current liabilities | 10,670,399 | 7,669,141 | 10,670,399 |
| Finance lease obligation | - | - | - |
| | 10,670,399 | 7,669,141 | 10,670,399 |
| The average lease term was 5 years and the average effective borrowing rate was 11% (2008: 10%). | | | |
| 15 Trade and other payables | | | |
| Trade payables | 16,586,696 | 14,985,564 | 16,589,529 |
| Other payables | 107,880,741 | 82,978,946 | 107,880,741 |
| Other deposits | 2,790,750 | 1,799,234 | 2,790,750 |
| Accrued leave pay | 38,502,728 | 37,371,633 | 38,502,728 |
| Operating lease payables | 130,810 | - | 130,810 |
| Retentions | 13,867,375 | 9,312,268 | 13,867,375 |
| Other payables accrued | 128,036,282 | 127,633,608 | 128,036,282 |
| Other payables -discounted interest | (5,434,385) | - | (5,434,385) |
| | 302,360,997 | 274,081,253 | 302,363,830 |
| 16 Taxes and transfers payable | | | |
| Tax refunds payables | 5,040,704 | - | 5,013,626 |



| Notes to the Annual Financial Statements | Municipality | | Group |
|--|--------------------|--------------------|--------------------|
| | 2009 R | 2008 R | 2009 R |
| 17 Consumer deposits | | | |
| Electricity | 27,523,586 | 28,556,429 | 27,523,586 |
| Water | 4,748,861 | 4,964,399 | 4,748,861 |
| Refuse | 877,941 | 917,788 | 877,941 |
| Sewer | 1,657,650 | 1,732,886 | 1,657,650 |
| | <u>34,808,038</u> | <u>36,171,502</u> | <u>34,808,038</u> |
| Included in deposits is an accrual of interest at an effective interest of 4% per annum | | | |
| Balance on the interest reserve as at 30 June 2009 is R7 652 419 and 30 June 2008 R6 833 615 | | | |
| Guarantees in lieu of electricity and water deposit | 8,654,786 | 5,018,391 | 8,654,786 |
| 18. Deferred income / Unspent conditional grants and receipts | | | |
| Non-current liabilities | - | - | - |
| Current liabilities | 113,075,091 | 145,926,624 | 113,075,091 |
| | <u>113,075,091</u> | <u>145,926,624</u> | <u>113,075,091</u> |
| The nature and extent of government grants recognised in the annual financial statements and an indication of other forms of government assistance from which the entity has directly benefited; | | | |
| and | | | |
| Unfulfilled conditions and other contingencies attaching to government assistance that has been recognised. | | | |
| See note for reconciliation of grants from National/ Provincial Government. | | | |
| These amounts are invested in a ring-fenced investment until utilised. | | | |
| National grants | 57,830,336 | 102,407,450 | 57,830,336 |
| Provincial grants & subsidies | 13,545,137 | 7,673,439 | 13,545,137 |
| Other conditional grant receipts | 41,699,618 | 35,845,735 | 41,699,618 |
| | <u>113,075,091</u> | <u>145,926,624</u> | <u>113,075,091</u> |



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| Notes to the Annual Financial Statements | Municipality | | Group |
|--|--------------|-----------|-----------|
| | 2009 R | 2008 R | 2009 R |

19. Current provisions

| | | | |
|--|----------------|----------------|----------------|
| Performance bonus | 625,167 | 861,265 | 625,167 |
| The movement in the current provision is reconciled as follows | | | |
| Opening Balance | 861,265 | 1,430,837 | 861,265 |
| Contributions | 625,167 | 861,765 | 625,167 |
| Expenditure incurred | (861,265) | (1,431,337) | (861,265) |
| | <u>625,167</u> | <u>861,265</u> | <u>625,167</u> |

20. Retirement benefits

Defined benefit plan

In terms of IAS 19 the obligation of the Msunduzi Municipality does not carry further than current employment. The cost recognised in the financial period is a contribution payable in exchange for services rendered,

At time of preparation of the financial statements, no actuarial valuations were received from the pensions.

The employees of the Council as well as the Council as employer, contribute to municipal pension, retirement and various provident funds as listed below:

| | | | |
|---|--------------------|-------------------|--------------------|
| Natal Joint Pension Fund | 79,298,249 | 72,289,032 | 79,298,249 |
| Natal Joint Provident Fund | 17,769,429 | 11,779,259 | 17,769,429 |
| Government Employees Pension Fund | 4,089,269 | 4,136,348 | 4,089,269 |
| Associated Institution Pension Fund | 174,089 | 166,076 | 174,089 |
| South Africa Local Authorities Pension Fund | 531,706 | 440,101 | 531,706 |
| Councillors Pension Fund | 2,928,337 | 2,669,415 | 2,928,337 |
| Pietermaritzburg Provident Fund | 605,381 | 642,143 | 605,381 |
| | <u>105,396,460</u> | <u>92,122,374</u> | <u>105,396,460</u> |

Post retirement medical aid contributions.

Previously no actuarial valuation was done in terms of IAS 19 and the valuation as at 30 June 2009



| Notes to the Annual Financial Statements | Municipality | | Group |
|--|--------------|-----------|-----------|
| | 2009 R | 2008 R | 2009 R |

20. Retirement benefits (continued)

2009 is the first of its kind although contributions were made to a provision for retirement benefits on an ad hoc basis in prior years. Deloitte & Touche Actuarial and Insurance Solutions undertook the evaluation in accordance with the requirements of Professional Guidance Note (PNN) 301 of the Actuarial Society of South Africa.

Valuation method used. The post retirement medical aid liability is valued on a generally accepted actuarial valuation method calculating the liability on a member -by -member basis.

The Projected Unit Credit Method as prescribed by IAS 19 has been applied. This method is

based on the approximation that the post -retirement benefit is notionally built up over the employees' working life.

There is no actuarial gain/loss as this is the first post-employment medical aid contribution performed.

The amount of the liability shown in the statement of financial position is the present value of the obligation less the fair value of any planned assets held in respect of the post-retirement medical scheme. There are no planned assets in the valuation.

Carrying value

Present value of the defined benefit obligation-wholly unfunded

| | | |
|--------------|--------------|--------------|
| (98,089,800) | (50,000,000) | (98,089,800) |
|--------------|--------------|--------------|

Movements for the year

Opening balance

| | | |
|--------------|--------------|--------------|
| (50,000,000) | (45,000,000) | (50,000,000) |
|--------------|--------------|--------------|

Other

| | | |
|--------------|-------------|--------------|
| (48,089,800) | (5,000,000) | (48,089,800) |
|--------------|-------------|--------------|

| | | |
|---------------------|---------------------|---------------------|
| (98,089,800) | (50,000,000) | (98,089,800) |
|---------------------|---------------------|---------------------|

Reconciliation of Obligation to disclosed liability

Actuarial liability

| | | |
|-------------|---|-------------|
| 290,448,544 | - | 290,448,544 |
|-------------|---|-------------|

Amount disclosed at 30 June 2008

| | | |
|--------------|---|--------------|
| (50,000,000) | - | (50,000,000) |
|--------------|---|--------------|

Straight line contribution on remainder of liability

| | | |
|--------------|---|--------------|
| (48,089,800) | - | (48,089,800) |
|--------------|---|--------------|

Amount to be contributed in the next four years

| | | |
|--------------------|---|--------------------|
| 192,358,744 | - | 192,358,744 |
|--------------------|---|--------------------|



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| Notes to the Annual Financial Statements | Municipality | | Group |
|---|--------------|-----------|-------------|
| | 2009 R | 2008 R | 2009 R |
| Net expense recognised in the statement of financial performance | | | |
| Key assumptions used | | | |
| Assumptions used on last valuation on 30 June 2009. | | | |
| Discount rates used from | 7.60% | -% | 7.60% |
| to | 8.39% | -% | 8.39% |
| Medical inflation-lower than discount rate | 1.00% | -% | 1.00% |
| Medical inflation higher than CPI | 2.50% | -% | 2.50% |
| Salary inflation-higher than CPI | 2.00% | -% | 2.00% |
| Other assumptions: Post retirement mortality PA (90). Retirement age 65 years. | | | |
| Sensitivity analysis | | | |
| Sensitivity analysis | | | |
| The impact of a 1% change in the medical aid inflation rate is reflected in the table underneath. | | | |
| Sensitivity to medical inflation | | | |
| Base | 290,448,544 | - | 290,448,544 |
| -1% | 248,825,292 | - | 248,825,292 |
| 1% | 343,541,221 | - | 343,541,221 |

21. Provisions

Reconciliation of provisions - 2009

| | Opening Balance | Changes in accounting estimate | Change in discount factor | Total |
|-----------------------------------|-----------------|--------------------------------|---------------------------|------------|
| Landfill rehabilitation provision | 27,500,000 | (8,800,000) | (1,828,834) | 16,871,166 |

Reconciliation of provisions - 2008

| | Opening Balance | Additions | Total |
|-----------------------------------|-----------------|-----------|------------|
| Landfill rehabilitation provision | 25,000,000 | 2,500,000 | 27,500,000 |
| Quarry rehabilitation fund | 410,279 | - | 410,279 |
| Airport development fund | 945,057 | - | 945,057 |
| Other provisions Safe City | 253,769 | - | 253,769 |
| | 26,609,105 | 2,500,000 | 29,109,105 |

The Msunduzi Municipality may be liable in the future for penalties or clean -up costs for unlawful environmental damage e.g. illegal dumping and clearing of alien vegetation.



According to the National Environmental Management Act, 1998 (Act No. 107 of 1998) the municipality was encouraged to recognise a provision in this regard.

The Msunduzi Municipality would in future raise this provision as it is in agreement this is an outflow of resources embodying benefits or service potential in settlement for future actions.

The landfill site provision represents management's best estimate of the municipality's rehabilitation liability based on an valuation provided by an external consultant on the remaining useful life of the landfill site.

The provision's change in estimate amounts to R 8 800 000.

| Notes to the Annual Financial Statements | Municipality | | Group |
|--|--------------|-----------|-----------|
| | 2009 R | 2008 R | 2009 R |

22. Housing development fund

| | | | |
|--|-------------------|-------------------|-------------------|
| Unappropriated surplus | 17,745,827 | 20,499,187 | 17,745,827 |
| Loans extinguished by government on 1 April 1998 | 34,256,892 | 34,256,892 | 34,256,892 |
| | 52,002,719 | 54,756,079 | 52,002,719 |

The housing development fund is represented by the following assets &

liabilities

| | | | |
|--|-------------------|-------------------|-------------------|
| Property plant and equipment | 179,968 | 194,830 | 179,968 |
| Housing selling scheme loans | 4,807,240 | 5,490,733 | 4,807,240 |
| Housing rental trade receivables | 11,437,719 | 6,690,731 | 11,437,719 |
| Loans extinguished by Government on 1 April 1998 | 34,256,892 | 34,256,892 | 34,256,892 |
| Bank and cash | 1,323,181 | 8,131,597 | 1,323,181 |
| Less: trade payables | (2,281) | (8,703) | (2,281) |
| | 52,002,719 | 54,756,080 | 52,002,719 |

23. Capital replacement reserve

In terms of directive 2 issued by the ASB the transitional provisions as per paragraph 144 of GRAP 1 has been repealed as from the date on which GRAP 1 was adopted by the municipality.

The Capital replacement reserve was written back to surplus from the earliest comparative date possible 30 June 2009.

| | | | |
|-----------------------------|--------------|--------------|--------------|
| Capital Replacement Reserve | 44,790,542 | 41,035,599 | 44,790,542 |
| Written back to surplus | (44,790,542) | (41,035,599) | (44,790,542) |
| | - | - | - |



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| Notes to the Annual Financial Statements | Municipality | | Group |
|---|-----------------------|-----------------------|-----------------------|
| | 2009 R | 2008 R | 2009 R |
| 24. Self -insurance reserve | | | |
| As per the directives issued by the ASB no self insurance reserve can be allowed in Net Assets. | | | |
| The insurance fund were written back to accumulated surplus where it will be ringfenced and | | | |
| applied for insurance transactions. | | | |
| Self insurance reserve | 31,038,573 | 24,618,229 | 31,038,573 |
| Written back to accumulated surplus | (31,038,573) | (24,618,229) | (31,038,573) |
| | <u>-</u> | <u>-</u> | <u>-</u> |
| 25. Revenue | | | |
| Rendering of services | 1,351,575,918 | 1,265,337,477 | 1,351,575,918 |
| Rental Income | 16,684,449 | 15,717,272 | 16,684,449 |
| Income from agency services | 689,431 | 751,904 | 689,431 |
| Fines | 14,299,020 | 14,774,353 | 14,299,020 |
| Licences and permits | 53,988 | 43,655 | 53,988 |
| Government grants | 324,440,359 | 266,381,114 | 324,440,359 |
| Public contributions, Donated and contributed property, plant and equipment | | | 10,000 |
| | <u>1,707,743,165</u> | <u>1,563,005,775</u> | <u>1,707,753,165</u> |
| 26. Property Rates | | | |
| Rates received | | | |
| Residential | 252,213,191 | 139,887,177 | 252,213,191 |
| Commercial | 176,134,262 | 148,583,820 | 176,134,262 |
| State | 58,610,152 | 40,806,449 | 58,610,152 |
| Vacant land | 22,183,384 | 16,755,893 | 22,183,384 |
| Less: Adjustments processed | (130,584,974) | (965,503) | (130,584,974) |
| | <u>378,556,015</u> | <u>345,067,836</u> | <u>378,556,015</u> |
| Valuations | | | |
| Residential | 8,336,993,700 | 8,631,921,600 | 8,336,993,700 |
| Commercial | 6,201,992,100 | 5,248,625,200 | 6,201,992,100 |
| State | 2,256,104,100 | 2,096,870,000 | 2,256,104,100 |
| Vacant land | 301,028,600 | 283,068,400 | 301,028,600 |
| | <u>17,096,118,500</u> | <u>16,260,485,200</u> | <u>17,096,118,500</u> |



| Notes to the Annual Financial Statements | Municipality | | Group |
|--|--------------|-----------|-----------|
| | 2009 R | 2008 R | 2009 R |

Valuations on land and buildings are performed every 4 years. The first market valuation will come into effect on 1 July 2009.

Interim valuations are processed on an annual basis to take into account changes in individual property values due to alterations and subdivisions.

Interest is charged at 18% per annum on rates outstanding after due date.

The new market valuation will be implemented on 01 July 2009.

27. Service charges

| | | | |
|---------------------------------|--------------------|--------------------|--------------------|
| Sale of electricity | 627,506,504 | 588,763,396 | 627,506,504 |
| Sale of water | 213,920,408 | 192,860,811 | 213,920,408 |
| Solid waste | 42,579,578 | 46,703,450 | 42,579,578 |
| Sewerage and sanitation charges | 68,432,384 | 68,376,520 | 68,432,384 |
| | 952,438,874 | 896,704,177 | 952,438,874 |

The above figure is net of revenue foregone.

28. Other revenue

| | | | |
|--|--------------------|--------------------|--------------------|
| Airport | 1,746,821 | 1,851,896 | 1,746,821 |
| Forestry | 10,459,592 | 10,278,274 | 10,459,592 |
| Market | 14,845,259 | 14,220,662 | 14,845,259 |
| Burials and cremations | 1,188,207 | 1,561,538 | 1,188,207 |
| Buildings | 1,730,706 | 2,407,621 | 1,730,706 |
| Re-connections | 7,088,028 | 7,053,174 | 7,088,028 |
| Training levy recoveries | 2,025,279 | 1,577,104 | 2,025,279 |
| Discount received | 686,490 | 618,884 | 686,490 |
| Sundry income | 14,345,744 | 16,090,634 | 14,346,747 |
| Other revenue -foregone | 251,024,522 | 166,217,728 | 251,024,522 |
| Other revenue -MIG (PMU) operating costs | 1,689,010 | 1,589,502 | 1,689,010 |
| Other revenue -insurance recoveries | 149,931 | 145,975 | 149,931 |
| Other revenue | 91,307 | 153,216 | 91,307 |
| Reversal of provisions | 9,036,098 | - | 9,036,098 |
| Interest received | 22,891,141 | - | 22,891,141 |
| | 338,998,135 | 223,766,208 | 338,999,138 |



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| Notes to the Annual Financial Statements | Municipality | | Group 2009 R |
|---|--------------------|--------------------|--------------------|
| | 2009 R | 2008 R | |
| 29. Government grants and subsidies | | | |
| Government grants | | | |
| Conditional grants -revenue | 43,193,058 | 17,455,164 | 43,193,058 |
| Grants & subsidies -capital | 85,802,876 | 97,770,614 | 85,802,876 |
| Equitable share | 187,098,867 | 142,974,380 | 187,098,867 |
| Provincial subsidies | | | |
| KZN -NPA subsidies | 8,147,972 | 8,180,956 | 8,147,972 |
| Grants -other | 197,586 | | 197,586 |
| | <u>324,440,359</u> | <u>266,381,114</u> | <u>324,440,359</u> |
| Equitable Share | | | |
| In terms of the constitution, this grant is used to subsidise the provision of basic and administrative services to the indigent community members and to subsidise income. | | | |
| Conditional Grants and subsidies are receipted to the Conditional Grant Creditor accounts and all non-capital expenditure is expensed through the Statement of Financial Performance. | | | |
| Reimbursements for conditions satisfied, including capital expenditure, are journalised against the Conditional Grant Creditor accounts. | | | |
| Conditions on the funding were complied with and no funds were withheld. | | | |
| 30. General expenses | | | |
| Airport | 5,698,469 | 4,092,215 | 5,698,469 |
| Contracted services | 15,297,625 | 11,049,414 | 15,297,625 |
| Distribution -wages | 43,743,960 | 36,895,898 | 43,743,960 |
| External services | 25,162,484 | 28,469,603 | 25,162,484 |
| Extraordinary | 10,785,537 | 10,084,367 | 10,785,537 |
| Foregone income -discounts to bulk consumers | 93,507,513 | 102,814,767 | 93,507,513 |
| Foregone income -other rebates | 130,743,958 | 107,395,092 | 130,743,958 |
| Foregone income -poor relief / indigents | 38,773,547 | 12,615,398 | 38,773,547 |
| Forestry | 8,346,885 | 8,496,447 | 8,346,885 |
| Government grant expenditure | 43,438,093 | 15,673,485 | 43,555,268 |
| Insurance | 19,177,693 | 16,127,377 | 19,177,693 |
| Leave / sick pay -downtime | 15,857,967 | 13,313,416 | 15,857,967 |
| Mayoral projects | 19,234,479 | 6,031,042 | 19,234,479 |
| Other | 113,181,931 | 79,252,722 | 113,198,122 |



| Notes to the Annual Financial Statements | Municipality | | Group |
|--|--------------------|--------------------|--------------------|
| | 2009 R | 2008 R | 2009 R |
| Pensions payable | 10,154,602 | 9,368,754 | 10,154,602 |
| Telephone and fax | 9,623,590 | 8,618,517 | 9,623,590 |
| VAT provision | | | (253,769) |
| Auditors remuneration | | | 10,250 |
| | <u>602,728,333</u> | <u>470,298,514</u> | <u>602,618,180</u> |

31. Employee related costs

| | | | |
|--|--------------------|--------------------|--------------------|
| Salaries & wages | 382,212,823 | 336,213,000 | 384,436,525 |
| Contributions for UIF, pensions & medical aid | 94,546,734 | 82,149,647 | 94,546,734 |
| Travel, motor car, accommodation, subsistence & other allowances | 18,913,725 | 16,125,590 | 18,913,725 |
| Overtime payments | 65,937,561 | 49,964,735 | 65,937,561 |
| Long service awards | 12,505,426 | 11,099,994 | 12,505,426 |
| Housing benefits and allowances | 6,055,806 | 5,306,271 | 6,055,806 |
| | <u>580,172,075</u> | <u>500,859,237</u> | <u>582,395,777</u> |
| Remuneration of municipal manager | | | |
| Annual Remuneration | 854,648 | 506,555 | 854,648 |
| Car Allowance | 65,067 | 40,408 | 65,067 |
| Contributions to UIF, Medical and Pension Funds | 215,369 | 143,527 | 215,369 |
| | <u>1,135,084</u> | <u>690,490</u> | <u>1,135,084</u> |
| Remuneration of chief finance officer | | | |
| Annual Remuneration | 603,740 | 536,820 | 603,740 |
| Car Allowance | 94,941 | 96,000 | 94,941 |
| Contributions to UIF, Medical and Pension Funds | 72,783 | 106,448 | 72,783 |
| | <u>771,464</u> | <u>739,268</u> | <u>771,464</u> |
| Remuneration of executive manager -internal audit | | | |
| Annual Remuneration | 412,999 | - | 412,999 |
| Car Allowance | 132,953 | - | 132,953 |
| Performance Bonuses | 33,957 | - | 33,957 |
| Contributions to UIF, Medical and Pension Funds | 116,416 | - | 116,416 |
| Acting allowance -July 2007 to April 2008 | - | 215,766 | - |
| | <u>696,325</u> | <u>215,766</u> | <u>696,325</u> |



The Dynamic, Caring Capital City of Choice in KZN

| Notes to the Annual Financial Statements | Municipality | | Group |
|--|----------------|----------------|----------------|
| | 2009 R | 2008 R | 2009 R |
| Remuneration of deputy municipal manager community services | | | |
| Annual Remuneration | 584,279 | 539,862 | 584,279 |
| Car Allowance | 200,903 | 158,894 | 200,903 |
| Performance Bonuses | - | 52,538 | - |
| Contributions to UIF, Medical and Pension Funds | 1,497 | 1,473 | 1,497 |
| | 786,679 | 752,767 | 786,679 |
| Remuneration of deputy municipal manager corporate services | | | |
| Annual Remuneration | 725,182 | 638,756 | 725,182 |
| Car Allowance | 60,000 | 60,000 | 60,000 |
| Performance Bonuses | - | 52,538 | - |
| Contributions to UIF, Medical and Pension Funds | 1,497 | 1,473 | 1,497 |
| | 786,679 | 752,767 | 786,679 |
| Remuneration of strategic executive manager of corporate strategic planning | | | |
| Annual Remuneration | - | 585,203 | - |
| Car Allowance | - | 113,553 | - |
| Performance Bonuses | - | 52,538 | - |
| Contributions to UIF, Medical and Pension Funds | - | 1,473 | - |
| | - | 752,767 | - |
| Remuneration of deputy municipal infrastructure services | | | |
| Annual Remuneration | 737,182 | 650,756 | 737,182 |
| Car Allowance | 48,000 | 48,000 | 48,000 |
| Performance Bonuses | - | 52,538 | - |
| Contributions to UIF, Medical and Pension Funds | 1,497 | 1,473 | 1,497 |
| | 786,679 | 752,767 | 786,679 |
| Remuneration of deputy municipal manager development services | | | |
| Car Allowance | - | 18,927 | - |
| Performance Bonuses | - | 52,538 | - |
| Contributions to UIF, Medical and Pension Funds | - | 49,611 | - |
| Acting allowance | 397,247 | 173,345 | 397,247 |
| | 397,247 | 294,421 | 397,247 |



| Notes to the Annual Financial Statements | Municipality | | Group |
|---|-------------------|-------------------|-------------------|
| | 2009 R | 2008 R | 2009 R |
| 32. Remuneration of councillors | | | |
| Mayor | 646,835 | 569,426 | 646,835 |
| Deputy mayor | 520,664 | 454,667 | 520,664 |
| Councillors | 9,612,629 | 9,109,913 | 9,612,629 |
| Speaker | 520,664 | 454,667 | 520,664 |
| Executive committee members | 4,402,098 | 3,410,000 | 4,402,098 |
| Councillors' pension and medical contribution | 3,461,786 | 1,392,760 | 3,461,786 |
| Other | - | 75,712 | - |
| | 19,164,676 | 15,467,145 | 19,164,676 |
| In-kind benefits | | | |
| The Mayor, Deputy Mayor, Speaker and Executive Committee Members are full-time. Each is provided with an office and secretarial support at the cost of the Council. | | | |
| The Mayor and the Deputy Mayor each have the use of separate Council owned vehicles for official duties. | | | |
| The Mayor and Deputy Mayor have security and an official driver at a cost to Council. | | | |
| 33. Debt impairment | | | |
| Contributions to doubtful debt provision | 10,000,000 | 10,000,000 | 10,000,000 |
| 34. Investment revenue | | | |
| Interest revenue | | | |
| Interest received -external investments | 17,073,381 | 29,320,951 | 17,073,381 |
| Interest received -sundry debtors | 1,395,660 | 664,168 | 1,395,660 |
| Interest received -service debtors | 17,041,453 | 22,308,938 | 17,041,453 |
| Interest received -Safe City | | | 63,460 |
| | 35,510,494 | 52,294,057 | 35,573,954 |
| 35. Depreciation and amortisation | | | |
| Property, plant and equipment | 96,625,686 | 96,408,758 | 96,651,653 |



The Dynamic, Caring Capital City of Choice in KZN

| Notes to the Annual Financial Statements | Municipality | | Group 2009 R |
|---|--------------------|--------------------|--------------------|
| | 2009 R | 2008 R | |
| 36. Impairment of assets | | | |
| Impairments | | | |
| Inventories | - | 143,365 | - |
| 37. Finance costs | | | |
| Annuity & finance loans | 53,271,199 | 45,957,235 | 53,271,199 |
| Other interest paid | 4,150,193 | 9,070,998 | 4,150,193 |
| Other interest paid - Safe City | | | 199 |
| | 57,421,392 | 55,028,233 | 57,421,591 |
| Capitalisation rates used during the period were 10.84% on specific borrowings for capital projects and 10.84% being the weighted average cost of funds borrowed generally by the municipality. | | | |
| 38. Grants and subsidies paid | | | |
| Other subsidies | | | |
| Community bodies | 994,079 | 780,323 | 994,079 |
| Mayors grants | 16,770 | 9,700 | 16,770 |
| Arts and culture | 1,335,908 | 602,527 | 1,335,908 |
| Safe city project | 2,631,579 | 3,000,000 | |
| | 4,978,336 | 4,392,550 | 2,346,757 |
| 39. Bulk purchases | | | |
| Electricity | 420,119,222 | 321,275,361 | 420,119,222 |
| Water | 216,651,627 | 194,174,295 | 216,651,627 |
| | 636,770,849 | 515,449,656 | 636,770,849 |



| Notes to the Annual Financial Statements | Municipality | | Group |
|---|-------------------|--------------------|-------------------|
| | 2009 R | 2008 R | 2009 R |
| 40. Cash generated from operations | | | |
| Surplus before taxation | 25,843,401 | 116,683,405 | 4,040,132 |
| Adjustments for: | | | |
| Depreciation and amortisation | 96,625,686 | 96,408,758 | 96,651,653 |
| Surplus on sale of assets | (57,112,023) | (7,239,228) | (3,369,276) |
| Contributions | | | 10,000,000 |
| Interest received | (35,510,494) | (52,294,057) | (35,573,954) |
| Finance costs | 57,421,392 | 55,028,233 | 57,421,591 |
| Fair value adjustments | 385,314 | - | 385,314 |
| Impairment deficit | - | 143,365 | - |
| Movements in retirement benefit assets and liabilities | 48,089,800 | - | 48,089,800 |
| Movements in provisions | (9,508,871) | (1,430,837) | (9,559,257) |
| Other non-cash items | 3,847 | - | 0 |
| Housing development fund | | | (2,753,360) |
| Financial instruments discounting | | | (24,959,141) |
| Changes in working capital: | | | |
| Inventories | (10,472,767) | (3,974,191) | (11,324,914) |
| Trade and other receivables from non exchange transactions | 13,629,376 | (3,197,689) | 251,754,903 |
| Consumer debtors | (40,570,719) | (91,249,598) | (304,077,871) |
| Trade and other payables | 28,279,744 | 28,419,575 | 43,878,171 |
| VAT | 10,937,622 | (8,877,378) | 11,453,481 |
| Deferred income / Unspent conditional grants and receipts | (32,851,533) | 50,979,212 | (32,851,533) |
| | 95,189,775 | 179,399,570 | 99,205,739 |
| 41. Gains or losses on sale of assets | | | |
| Property, plant and equipment | 1,137,979 | - | 1,137,979 |
| Land sales | 2,231,297 | 7,239,228 | 2,231,297 |
| | 3,369,276 | 7,239,228 | 3,369,276 |
| 42. Additional disclosure in terms of the municipal finance management act | | | |
| Contributions to SALGA | | | |
| Council subscriptions | 2,633,574 | 1,394,494 | 2,633,574 |
| Amount paid -current year | (2,633,574) | (1,394,494) | (2,633,574) |
| | - | - | - |



| Notes to the Annual Financial Statements | Municipality | | Group |
|---|-----------------|-----------------|-----------------|
| | 2009 R | 2008 R | 2009 R |
| Audit fees | | | |
| Opening balance | 61,950 | 18,342 | 61,950 |
| Over provision written back | (48,916) | 43,608 | (48,916) |
| Audit fee invoiced | (2,437,834) | (1,432,227) | (2,437,834) |
| Amount -previous years | 2,437,834 | 1,432,227 | 2,437,834 |
| | 13,034 | 61,950 | 13,034 |
| PAYE & UIF | | | |
| Opening balance | (32,915) | (32,915) | (32,915) |
| Current year payroll deductions | 74,241,463 | 61,810,390 | 74,241,463 |
| Amount paid -current year | (74,241,463) | (61,810,390) | (74,241,463) |
| | (32,915) | (32,915) | (32,915) |
| Note: | | | |
| The difference represents PAYE & UIF deducted from the employees salaries, however payroll will have to be adjusted in July 2009. | | | |
| Pension & medical aid deductions | | | |
| Current year payroll deductions & Council contributions | 149,735,475 | 133,286,007 | 149,735,475 |
| Amount paid -current year | (149,735,475) | (133,286,007) | (149,735,475) |
| | - | - | - |
| Councillor's Arrear Consumer Accounts. | | | |
| Note: There are no reportable items. | | | |

43. Changes in accounting policy

The annual financial statements have been prepared in accordance with South African Statements of Generally Recognised Accounting Practice on a basis consistent with the prior year except for the adoption of the following new or revised standards.

In terms of the exemption granted in Gazette 30013 dated 29 June 2007, Council has complied with the following GRAP Standards

The following adjustments were made to amounts previously reported in the annual financial statements of the municipality arising from the implementation of new accounting policies and changes to existing policies



| Notes to the Annual Financial Statements | Municipality | | Group |
|---|------------------------|----------------------|------------------------|
| | 2009 R | 2008 R | 2009 R |
| Changes in accounting policy effecting the statement of financial position Debit / credit to accumulated surplus/(deficit) GRAP 17 -Property, plant and equipment In terms of the exemption granted in Gazette 30013 dated 29 June 2007, Council has first time implemented the standard. No retrospective application of the standard has been applied as it was impractical to apply. | | | |
| Net unidentified infrastructure assets written out of asset register | 1,366,119,478 | - | 1,366,119,478 |
| Net identified infrastructure assets taken on in asset register. | (6,126,333,978) | - | (6,126,333,978) |
| | (4,760,214,500) | - | (4,760,214,500) |
| GRAP 16 -Investment property | | | |
| In terms of the exemption granted in Gazette 30013 dated 29 June 2007, Council has first time implemented the standard. No retrospective application of the standard has been applied as it was impractical to apply. | | | |
| Investment property -taken on as previously not recorded, included in category land and buildings | (534,167,000) | - | (534,167,000) |
| | (534,167,000) | - | (534,167,000) |
| GRAP 102 -Intangible assets | | | |
| In terms of the exemption granted in Gazette 30013 dated 29 June 2007, Council has first time implemented the standard. No retrospective application of the standard has been applied as it was impractical to apply. | | | |
| Recognition and measurement of servitutdes not recorded previously. | 176,686 | - | 176,686 |
| | 176,686 | - | 176,686 |
| In terms of directive 2, and no GRAP standard to comply with | | | |
| Transfer of capital replacement reserve | (12,635,717) | - | (12,635,717) |
| Transfer of government grant reserve | (563,802,907) | (451,850,971) | (563,802,907) |
| Transfer of insurance reserve | (31,038,573) | - | (31,038,573) |
| | (607,477,197) | (451,850,971) | (607,477,197) |



The Dynamic, Caring Capital City of Choice in KZN

| Notes to the Annual Financial Statements | Municipality | | Group |
|---|------------------------|----------------------|------------------------|
| | 2009 R | 2008 R | 2009 R |
| Changes in the accounting policy effecting the statement of financial performance | | | |
| GRAP 13 -Leases | | | |
| In terms of the exemption granted in Gazette 30013 dated 29 June 2007, | | | |
| Council has first time implemented the standard. Retrospective application of the standard has been applied | | | |
| Recognition of operating lease payments on a straight line basis. | (146,559) | - | (146,559) |
| | <u>(5,901,828,570)</u> | <u>(451,850,971)</u> | <u>(5,901,828,570)</u> |

44. Prepaid Electricity

Commissions -are calculated on sales from prepaid electricity sales made by vendors on behalf of the Council.The

commissions are included in the general expenses category of the statement of financial performance.

In the 2006/2007 financial year two vendors had defaulted in depositing amounts received from prepaid sales.

As a result no commission was paid to them.

The defaulting vendors are Sweet waters and Phayiphini who had ceased trading in January 2007 and October 2006 respectively.

The amounts of R55 723 and R75 896 respectively are deemed to be irrecoverable for the 2005/2006 financial year.

Also the amounts of R13 980 and R15 671 being the movements for the 2006/2007 year are deemed irrecoverable

The matter is being handled by the legal division.



| Notes to the Annual Financial Statements | Municipality | | Group |
|--|--------------|-----------|-----------|
| | 2009 R | 2008 R | 2009 R |

45. Commitments

Authorised capital expenditure

Already contracted for but not provided for

| | | | |
|-------------------------------|------------|------------|------------|
| Property, plant and equipment | 68,699,890 | 43,693,410 | 68,699,890 |
|-------------------------------|------------|------------|------------|

This committed expenditure relates to other :
specify-infrastructure assets and will be financed
by available bank facilities.

Operating leases – as lessee (expense)

Minimum lease payments due

| | | | |
|------------------------------------|------------------|------------------|------------------|
| -within one year | 1,430,205 | 1,454,179 | 1,430,205 |
| -in second to fifth year inclusive | - | 1,430,205 | - |
| | 1,430,205 | 2,884,384 | 1,430,205 |

Operating lease payments represent rentals payable by the municipality for certain of its office properties. Leases are negotiated for an average term of three years and rentals are linked to an increase for an average of three years. Operating lease payments represents payments for two contracts namely H. Collins (Compen Building) and Giltime Park CC. No contingent rent is payable.



The Dynamic, Caring Capital City of Choice in KZN

| Notes to the Annual Financial Statements | Municipality | | Group |
|--|-------------------|-------------------|-------------------|
| | 2009 R | 2008 R | 2009 R |
| 46. Contingencies | | | |
| Liabilities | | | |
| High court matters | | | |
| Blue Thunder trading CC t/a Kanyisa Energy Management and services | 258,230 | - | 258,230 |
| BA Clark | 379,976 | - | 379,976 |
| S. Mthimkhulu | 236,371 | - | 236,371 |
| Stand 2436 Pietermaritzburg (PTY) Ltd | 1,462,084 | - | 1,462,084 |
| South African Local Authorities Pension Fund | 250,848 | - | 250,848 |
| PJ Terwolbeek | 1,121,620 | 1,121,620 | 1,121,620 |
| I Ogilvie | 166,161 | 166,161 | 166,161 |
| DV Ngcobo | 2,079,000 | 2,079,000 | 2,079,000 |
| F Osman | 198,840 | 198,840 | 198,840 |
| Zeedit Investments | 519,963 | 519,963 | 519,963 |
| Jewitt | 10,000,000 | 10,000,000 | 10,000,000 |
| T Gonasillan | 115,500 | - | 115,500 |
| IN Nzaba | 735,000 | - | 735,000 |
| Telkom | 45,980 | - | 45,980 |
| TE Zulu | 8,709 | - | 8,709 |
| FBI Khan | 63,280 | - | 63,280 |
| RYKhan | 1,267 | - | 1,267 |
| VN Mkhumbuzi | 100,000 | - | 100,000 |
| | 17,742,829 | 14,085,584 | 17,742,829 |
| Assets | | | |
| High court matter | | | |
| DL Petersen | - | - | - |



| Notes to the Annual Financial Statements | Municipality | | Group |
|--|--------------|-----------|-----------|
| | 2009 R | 2008 R | 2009 R |

47. Related parties

The NCT tree farming (Pty) Ltd manages timber plantations established on Council owned land on behalf of the Council by a management agreement. NCT is entitled to a 5% management fee based on net profit.

Safe City has been formed as a partnership with the business community to combat crime in the city. Council allocates a grant in aid to the entity.

| | | | |
|---------------------------|------------------|------------------|------------------|
| NCT -5% of management fee | 556,010 | 93,780 | 556,010 |
| Safe City -grant | 3,000,000 | 3,000,000 | 3,000,000 |
| | <u>3,556,010</u> | <u>3,093,780</u> | <u>3,556,010</u> |

48. Prior period errors

During the year ended 30 June 2009, the following transactions were erroneously expensed in the statement of financial position and statement of financial performance.

The comparative amounts have been re-stated as follows:.

Statement of financial position

| | | | |
|--|---|----------------------------|--|
| Clearing of cheques re-issued as amounts are now recovered | - | (8,791) | |
| Clearing of control votes | - | (2,287,507) | |
| Clearing of general ledger balances with credit amounts | - | (6,354,069) | |
| Clearing of general ledger balances with debit amounts | - | 236,913 | |
| Closing entries for the market | - | (985,906) | |
| Clearing of retention due to prescription period being applied | - | (137,939) | |
| Inventory adjustment between physical and theoretical inventory | - | 852,147 | |
| Clearing of restructuring grant interest earned in prior periods | - | (4,803,950) | |
| Stale cheques re-issued for deposit refunds | - | 3,365 | |
| Adjustment of finance lease liability at implicit rate | | <u>(146,299)</u> | |
| Net effect on statement of financial position | | <u>(13,632,036)</u> | |



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| Notes to the Annual Financial Statements | Municipality | | Group 2009 R |
|--|------------------|-------------------|--------------------|
| | 2009 R | 2008 R | |
| 48. Prior period errors (continued) | | | |
| Statement of financial performance | | | |
| Clearing of prior period unidentified revenue | - | (117,536) | |
| Input VAT not claimed on expenses adjusted retrospectively | - | (367,500) | |
| SARS VAT refunds received in respect of previous assessments | - | (102,444) | |
| Payments to SARS due to VAT assessments raised in prior periods | - | 435,305 | |
| Re-imbursement of prior period expenditure from Msunduzi Housing | - | (2,396,011) | |
| Operating Account (MHOA) | | | |
| Reversal of prior period accruals raised for KZNPA subsidies | - | 18,483,235 | |
| Under accrual of expenditure raised in 2008/09 financial year being adjusted retrospectively | - | 316,517 | |
| Over accrual of expenditure raised in 2008/09 financial year being adjusted retrospectively | - | (240,601) | |
| Net effect on statement of financial performance | - | 16,010,965 | |
| Net effect on accumulated surplus | - | 2,378,929 | |
| 49. Events after the reporting date | | | |
| None to report on. | | | |
| 50. Irregular expenditure | | | |
| Deviation from normal procurement process | 450,033 | - | 450,033 |
| Procurement irregularities | 2,320,044 | - | 2,320,044 |
| Non adherence to supply chain management policy | 1,204,697 | - | 1,204,697 |
| Abuse of emergency/urgent procurement provisions | 103,053 | - | 103,053 |
| | 4,077,827 | - | 4,077,827 |
| 51. Fruitless and wasteful expenditure | | | |
| None to report on. | | | |



| Notes to the Annual Financial Statements | Municipality | | Group |
|--|--------------|-----------|-----------|
| | 2009 R | 2008 R | 2009 R |

52. Municipal entity

The Safe City project PMB was declared a municipal entity in terms of the MFMA and was incorporated

as a section 21 company and was initiated in partnership with the business sector to create a safer CBD.

Refer to annexure J for the annual financial statement of Safe City.

53. Electricity & water losses

| | | | |
|-------------|-------------------|--------------------|-------------------|
| Electricity | 60,052,372 | 53,400,839 | 60,052,372 |
| Water | 32,422,512 | 60,961,439 | 32,422,512 |
| | 92,474,884 | 114,362,278 | 92,474,884 |

54. Traffic fines outstanding

As per NATIS -traffic department

| | | | |
|---|-------------------|------------------|-------------------|
| Notice of intention to prosecute -341's | 293,590 | 311,640 | 293,590 |
| Notice before summons | 16,250 | 3,300 | 16,250 |
| Section 54 notices -summons | 2,746,530 | 504,100 | 2,746,530 |
| Unfinalised fines | 9,229,940 | 426,200 | 9,229,940 |
| Warrant of arrests | 87,150 | 5,826,270 | 87,150 |
| | 12,373,460 | 7,071,510 | 12,373,460 |



The Dynamic, Caring Capital City of Choice in KZN

| Notes to the Annual Financial Statements | Municipality | | Group 2009 R |
|--|--------------|--------------|--------------------|
| | 2009 R | 2008 R | |
| 55. Comparative figures | | | |
| Certain comparative figures have been reclassified. | | | |
| The effects of the reclassification are as follows: | | | |
| Statement of financial position | | | |
| Provisions | 5,409,125 | 5,896,918 | 5,409,125 |
| Airport Development Fund was included in the Capital Replacement | - | 41,035,599 | - |
| Reserve (CRR) in 2007/08 | | | |
| In 2008/09 year it was transferred from the CRR to the provisions | - | 77,910,279 | - |
| Less : Stated benefits provision as actuarial valuation was performed | - | (50,000,000) | - |
| Add : Airport Development Fund | - | 945,057 | - |
| Total of provisions | - | 28,855,336 | - |
| Value Added Taxation | 5,409,125 | 5,896,918 | 5,409,125 |
| In the 2007/08 year a control vote tax recovered was not included in the VAT figure on the statement of financial position | - | - | - |
| Main VAT control account | (15,723,666) | (5,452,189) | (15,723,666) |
| Add : Control vote tax recovered | 10,314,541 | 11,349,107 | 10,314,541 |
| Cash and cash equivalents | 112,867,232 | 260,420,761 | 112,867,232 |
| In the 2008/09 year cash and cash equivalents consist of | - | - | - |
| Bank | 19,246,950 | 3,383,985 | 19,246,950 |
| Cash | 45,590 | 40,680 | 45,590 |
| Investments | 93,574,692 | 260,420,761 | 93,574,692 |
| In 2007/08 year this was disclosed separately on the face of the | - | - | - |
| statement of financial position | | | |
| Trade and other receivables from exchange transactions | - | 256,848,624 | - |
| Trade and other receivables from exchange transactions as per the statement of financial position as at 2008/09 | - | - | - |
| Less : housing prepayments incorrectly mapped to trade and other receivables now mapped to trade and other payables | - | (9,335) | - |



Msunduzi Municipality Annual Report 2008/09

| Notes to the Annual Financial Statements | Municipality | | Group |
|---|--------------|--------------|-------------|
| | 2009 R | 2008 R | 2009 R |
| Trade and other receivables from exchange transactions as per the statement of financial position as at 2007/08 | - | 256,839,289 | - |
| Trade and other payables and unspent conditional grants | - | - | - |
| In the 2007/08 year trade and other payables decreased and unspent conditional grants and receipts increased by | - | - | - |
| Edendale land legal grant | - | (384,622) | - |
| Edendale private land acquisition grant | - | (20,956,596) | - |
| Statement of financial performance | - | - | - |
| Service charges | - | - | - |
| Services charges in 2007/08 year was disclosed on the face of the | - | 673,878,919 | - |
| statement of financial performance nett of foregone income | - | - | - |
| Add : Foregone income | - | 222,825,257 | - |
| Gross service charges appearing on the face of 2008/09 statement of financial performance | - | 896,704,177 | - |
| Other income | - | - | - |
| Other income as per 2008/09 statement of financial performance | 307,070,897 | 223,766,207 | 307,070,897 |
| Less : The gain on sale of assets is disclosed seperately as an another note | (3,369,276) | (7,239,228) | (3,369,276) |
| Other income as per 2007/08 statement of financial performance | - | 231,005,434 | - |
| Other expenses | - | - | - |
| Expenses in 2007/08 year was disclosed on the face of the statement of | - | 247,473,257 | - |
| financial performance nett of foregone income | - | - | - |
| Add : foregone income | - | 222,825,257 | - |
| Expenses appearing on the face of 2008/09 statement of financial performance | - | 470,298,514 | - |



The Dynamic, Caring Capital City of Choice in KZN

| Notes to the Annual Financial Statements | Municipality | | Group |
|---|----------------------|--------------------|----------------------|
| | 2009 R | 2008 R | 2009 R |
| 56. Accumulated surplus/deficit -internal reserves | | | |
| Implementation of GRAP -Ring fencing of reserves | | | |
| Accumulated surplus | 5,528,675,475 | 824,663,148 | 5,528,675,475 |
| Self insurance reserve | 25,726,622 | - | 25,726,622 |
| COVID | 5,311,952 | - | 5,311,952 |
| Government grant reserve | 563,802,908 | - | 563,802,908 |
| Capital replacement reserve | 12,635,718 | - | 12,635,718 |
| | 6,136,152,675 | 824,663,148 | 6,136,152,675 |

57. Unauthorised expenditure

None to report on.



THE MSUNDUZI MUNICIPALITY

APPENDIX A

SCHEDULE OF EXTERNAL LOANS AS AT 30 JUNE 2009

| EXTERNAL LOANS | ACCOUNT NO | Loan Number | Redeemable | Balance at 30/06/08 | Correction of error | Received during the period | Redeemed written off during the period | Balance at 30/06/09 |
|-----------------------------|---------------|--------------|------------|---------------------|---------------------|----------------------------|--|---------------------|
| | | | | R | | R | R | R |
| LONG-TERM LOANS | | | | | | | | |
| DBSA - 15.5% | PMB8108710930 | 11158 | 30/09/2018 | 11,413,451 | | 0 | 485,201 | 10,928,250 |
| DBSA - 15.5% | PMB8108710930 | 11159 | 31/03/2019 | 14,076,835 | | 0 | 545,168 | 13,531,667 |
| DBSA - 15.5% | PMB8108710930 | 11160 | 31/03/2019 | 11,997,059 | | 0 | 464,623 | 11,532,436 |
| DBSA - 16.5% | PMB8108710930 | 13446 | 31/03/2020 | 22,130,535 | | 0 | 668,697 | 21,461,838 |
| DBSA - 16.5% | PMB8108710930 | 13447 | 31/03/2020 | 9,433,380 | | 0 | 285,039 | 9,148,341 |
| DBSA - 16.5% | PMB8108710930 | 13448 | 31/03/2020 | 13,967,379 | | 0 | 422,039 | 13,545,340 |
| DBSA - 14.27% | PMB8108710930 | 14039/101 | 31/12/2014 | 44,295,325 | | 0 | 4,621,287 | 39,674,038 |
| DBSA - 14.27% | PMB8108710930 | 14039/102 | 31/12/2015 | 1,228,841 | | 0 | 103,065 | 1,125,776 |
| DBSA - 14.27% | PMB8108710930 | 102091 | 2/11/2020 | 5,070,614 | | 0 | 214,330 | 4,856,284 |
| DBSA - 14.27% | PMB8108710930 | 102416 | 28/06/2021 | 47,213,968 | | 0 | 2,051,803 | 45,162,165 |
| DBSA - 10.75% | PMB7878719598 | 11649 | 30/6/2013 | 28,363 | | 0 | 4,552 | 23,810 |
| DBSA - 9.31% | PMB8108710930 | 101922 | 30/09/2020 | 23,309,539 | | 0 | 1,064,351 | 22,245,188 |
| DBSA - 8.7% | PMB8108710930 | 102797 | 30/09/2022 | 88,282,169 | | 0 | 3,222,884 | 85,059,285 |
| DBSA - 10.79% | PMB8108710930 | 103059/1 | 9/30/2023 | 0 | | 64,000,000 | 929,221 | 63,070,779 |
| DBSA - 6.75% | PMB8108710930 | 103059/2 | 9/30/2023 | 0 | | 16,000,000 | 320,968 | 15,679,032 |
| DBSA Total | | | | 292,447,456 | 0 | 80,000,000 | 15,403,228 | 357,044,228 |
| RMB/INCA - 16.35% | PMB8108710929 | Pret-00-0001 | 12/31/2010 | 32,166,081 | | 0 | 13,033,449 | 19,132,632 |
| RMB/INCA - 13.39% | PMB8108710929 | Msun-00-0001 | 12/31/2010 | 19,344,336 | | 0 | 5,422,555 | 13,921,781 |
| INCA - 11.65% | PMB8108710929 | Msun-00-0001 | 12/31/2013 | 20,591,973 | | 0 | 2,857,644 | 17,734,329 |
| RMB/INCA Total | | | | 72,102,391 | 0 | 0 | 21,313,648 | 50,788,743 |
| INCA - 11.75% | PMB8108710997 | PMB107XA-S | 11/1/2007 | 0 | | 0 | 0 | 0 |
| INCA - 14.50% | PMB81087 0996 | PMB107XB-S | 11/1/2007 | 0 | | 0 | 0 | 0 |
| RMB/HULETTS - 8.71% | PMB8108710931 | Sub-station | 6/30/2013 | 6,584,393 | | 0 | 832,449 | 5,751,944 |
| RMB/HULETTS Total | | | | 6,584,393 | | 0 | 832,449 | 5,751,944 |
| Metro Transport Fund - 5.5% | PMB8108710906 | | | 0 | | 0 | 0 | 0 |
| Eastwood Library | | | | 0 | | 0 | 0 | 0 |
| DSB | PMB7878719599 | Plessislaer | 2008 | 0 | | 0 | 0 | 0 |
| DSB | PMB7878719598 | Plessislaer | 2008 | 0 | | 0 | 0 | 0 |



| THE MSUNDUZI MUNICIPALITY | | | | | | | | | |
|---|------------------|-------------|------------|------------------------|---------------------------|----------------------------------|---|------------------------|--|
| APPENDIX A | | | | | | | | | |
| SCHEDULE OF EXTERNAL LOANS AS AT 30 JUNE 2009 | | | | | | | | | |
| EXTERNAL LOANS | ACCOUNT NO | Loan Number | Redeemable | Balance at 30/06/08 | Correction of error | Received during the period | Redeemed written off during the period | Balance at 30/06/09 | |
| | | | | R | | R | R | R | |
| DSB | | Ashburton | 2008 | 0 | | 0 | 0 | 0 | |
| Temporary borrowings-FNB | PMB8108710001 | | | 0 | | 50,000,000 | 0 | 50,000,000 | |
| Other loans total | | | | 0 | | 50,000,000 | | 50,000,000 | |
| Total Long-term Loans | | | | 371,134,239 | 0 | 130,000,000 | 37,549,325 | 463,584,914 | |
| | | | | | | | | | |
| LEASE LIABILITY | | | | | | | | | |
| Standard Bank - 9.4488% | PMB 810 871 0947 | Stannic 6 | 31/03/2009 | 769,481 | 11,442 | 0 | 758,039 | -0 | |
| Standard Bank - 8.9819% | PMB 810 871 0949 | Stannic 7 | 7/10/2009 | 458,602 | 8,059 | 0 | 383,264 | 67,279 | |
| Standard Bank - 8.9471% | PMB 810 871 0950 | Stannic 8 | 5/31/2009 | 460,042 | -13,473 | 0 | 261,506 | 212,009 | |
| Standard Bank - 8.9073% | PMB 810 871 0951 | Stannic 9 | 8/31/2009 | 167,614 | -4,283 | 0 | 90,288 | 81,608 | |
| Standard Bank - 9.1192% | PMB 810 871 0952 | Stannic 10 | 2/28/2010 | 45,215 | -1,152 | 0 | 24,332 | 22,035 | |
| Standard Bank - 9.1182% | PMB 810 871 0953 | Stannic 11 | 3/31/2010 | 45,219 | -3,078 | 0 | 24,148 | 24,148 | |
| Standard Bank - 8.5791% | PMB 810 871 0954 | Stannic 12 | 3/31/2010 | 503,733 | -8,300 | 0 | 256,674 | 255,359 | |
| Standard Bank - 8.3560% | PMB 810 871 0955 | Stannic 13 | 3/23/2010 | 244,334 | -4,036 | 0 | 124,636 | 123,735 | |
| Standard Bank - 8.3376% | PMB 810 871 0956 | Stannic 14 | 4/30/2010 | 106,558 | -1,615 | 0 | 54,287 | 53,885 | |
| Standard Bank - 8.3878% | PMB 810 871 0957 | Stannic 15 | 4/30/2010 | 155,393 | -2,565 | 0 | 79,254 | 78,704 | |
| Standard Bank - 8.3104% | PMB 810 871 0958 | Stannic 16 | 4/21/2010 | 322,757 | 7,756 | 0 | 158,106 | 156,895 | |
| Standard Bank - 8.4305% | PMB 810 871 0959 | Stannic 17 | 4/30/2010 | 805,751 | -9,438 | 0 | 373,517 | 441,672 | |
| Standard Bank - 8.4150% | PMB 810 871 0960 | Stannic 18 | 5/31/2010 | 147,574 | -1,454 | 0 | 62,778 | 86,250 | |
| Standard Bank - 8.4403% | PMB 810 871 0961 | Stannic 19 | 6/30/2010 | 119,278 | -1,175 | 0 | 50,732 | 69,720 | |
| Standard Bank - 8.3305% | PMB 810 871 0962 | Stannic 20 | 8/31/2010 | 691,981 | -6,825 | 0 | 294,533 | 404,273 | |
| Standard Bank - 8.3299% | PMB 810 871 0963 | Stannic 21 | 8/31/2010 | 1,320,112 | -10,696 | 0 | 539,254 | 791,554 | |
| Standard Bank - 8.3750% | PMB 810 871 0964 | Stannic 22 | 8/31/2010 | 537,611 | -2,092 | 0 | 176,095 | 363,608 | |
| Standard Bank Total | | | | 6,901,254 | -42,923 | 0 | 3,711,443 | 3,232,734 | |
| Nedbank - 10.000% | PMB 810 871 0965 | Nedbank 1 | 31/12/2011 | 119,719 | 1,970 | 0 | 29,567 | 88,182 | |
| Nedbank - 10.000% | PMB 810 871 0966 | Nedbank 2 | 31/12/2012 | 119,719 | 1,970 | 0 | 29,567 | 88,182 | |
| Nedbank - 10.000% | PMB 810 871 0967 | Nedbank 3 | 31/12/2013 | 119,719 | 1,970 | 0 | 29,567 | 88,182 | |
| Nedbank - 10.000% | PMB 810 871 0968 | Nedbank 4 | 31/12/2014 | 119,719 | 1,970 | 0 | 29,567 | 88,182 | |
| Nedbank - 10.000% | PMB 810 871 0969 | Nedbank 5 | 31/12/2015 | 119,719 | 1,970 | 0 | 29,567 | 88,182 | |
| Nedbank - 10.000% | PMB 810 871 0970 | Nedbank 6 | 31/12/2016 | 119,719 | 1,970 | 0 | 29,567 | 88,182 | |



THE MSUNDUZI MUNICIPALITY

APPENDIX A

SCHEDULE OF EXTERNAL LOANS AS AT 30 JUNE 2009

| EXTERNAL LOANS | ACCOUNT NO | Loan Number | Redeemable | Balance at 30/06/08 | Correction of error | Received during the period | Redeemed written off during the period | Balance at 30/06/09 |
|-------------------|------------------|-------------|------------|---------------------|---------------------|----------------------------|--|---------------------|
| | | | | | | | | |
| | | | | R | | R | R | R |
| Nedbank - 10.000% | PMB 810 871 0971 | Nedbank 7 | 31/12/2017 | 119,719 | 1,970 | 0 | 29,567 | 88,182 |
| Nedbank - 10.000% | PMB 810 871 0972 | Nedbank 8 | 31/12/2018 | 124,016 | 2,041 | 0 | 30,628 | 91,346 |
| Nedbank - 10.000% | PMB 810 871 0973 | Nedbank 9 | 31/12/2019 | 124,151 | 2,043 | 0 | 30,662 | 91,446 |
| Nedbank - 10.000% | PMB 810 871 0974 | Nedbank 10 | 31/12/2014 | 438,397 | 6,850 | 0 | 49,641 | 381,942 |
| Nedbank - 10.000% | PMB 810 871 0975 | Nedbank 11 | 24/12/2014 | 438,433 | 6,850 | 0 | 49,641 | 381,942 |
| Nedbank - 10.500% | PMB 810 871 0976 | Nedbank 12 | 31/12/2017 | 1,880,340 | 25,159 | 0 | 130,867 | 1,724,315 |
| Nedbank - 10.413% | PMB 810 871 0977 | Nedbank 13 | 6/30/2012 | 138,105 | 1,752 | 0 | 28,984 | 107,370 |
| Nedbank - 10.413% | PMB 810 871 0978 | Nedbank 14 | 6/30/2012 | 138,105 | 1,752 | 0 | 28,984 | 107,370 |
| Nedbank - 10.413% | PMB 810 871 0979 | Nedbank 15 | 6/30/2012 | 138,105 | 1,752 | 0 | 28,984 | 107,370 |
| Nedbank - 10.413% | PMB 810 871 0980 | Nedbank 16 | 6/30/2012 | 138,105 | 1,752 | 0 | 28,984 | 107,370 |
| Nedbank - 10.413% | PMB 810 871 0981 | Nedbank 17 | 6/30/2012 | 138,105 | 1,752 | 0 | 28,984 | 107,370 |
| Nedbank - 10.413% | PMB 810 871 0982 | Nedbank 18 | 6/30/2012 | 138,105 | 1,752 | 0 | 28,984 | 107,370 |
| Nedbank - 10.413% | PMB 810 871 0983 | Nedbank 19 | 6/30/2012 | 138,105 | 1,752 | 0 | 28,984 | 107,370 |
| Nedbank - 10.413% | PMB 810 871 0984 | Nedbank 20 | 6/30/2012 | 138,105 | 1,752 | 0 | 28,984 | 107,370 |
| Nedbank - 10.413% | PMB 810 871 0985 | Nedbank 21 | 6/30/2012 | 138,105 | 1,752 | 0 | 28,984 | 107,370 |
| Nedbank - 10.413% | PMB 810 871 0986 | Nedbank 22 | 6/30/2012 | 138,105 | 1,752 | 0 | 28,984 | 107,370 |
| Nedbank - 13.369% | PMB 810 871 0138 | Nedbank 23 | 10/1/2013 | 0 | | 231,480 | 22,726 | 208,754 |
| Nedbank - 13.369% | PMB 810 871 0139 | Nedbank 24 | 10/1/2013 | 0 | | 231,480 | 22,726 | 208,754 |
| Nedbank - 13.369% | PMB 810 871 0137 | Nedbank 26 | 10/1/2013 | 0 | | 231,480 | 22,726 | 208,754 |
| Nedbank - 13.369% | PMB 810 871 0104 | Nedbank 27 | 10/1/2013 | 0 | | 210,282 | 20,645 | 189,637 |
| Nedbank - 13.369% | PMB 810 871 0102 | Nedbank 28 | 10/1/2013 | 0 | | 210,282 | 20,645 | 189,637 |
| Nedbank - 13.369% | PMB 810 871 0103 | Nedbank 29 | 10/1/2013 | 0 | | 210,282 | 20,645 | 189,637 |
| Nedbank - 13.369% | PMB 810 871 0105 | Nedbank 30 | 10/1/2013 | 0 | | 315,724 | 30,997 | 284,727 |
| Nedbank - 13.369% | PMB 810 871 0109 | Nedbank 31 | 10/1/2013 | 0 | | 152,703 | 14,992 | 137,712 |
| Nedbank - 13.369% | PMB 810 871 0107 | Nedbank 32 | 10/1/2013 | 0 | | 152,703 | 14,992 | 137,712 |
| Nedbank - 13.369% | PMB 810 871 0110 | Nedbank 33 | 10/1/2013 | 0 | | 152,703 | 14,992 | 137,712 |
| Nedbank - 13.369% | PMB 810 871 0108 | Nedbank 34 | 10/1/2013 | 0 | | 154,876 | 15,205 | 139,671 |
| Nedbank - 13.369% | PMB 810 871 0106 | Nedbank 35 | 10/1/2013 | 0 | | 312,435 | 30,674 | 281,762 |
| Nedbank - 13.369% | PMB 810 871 0128 | Nedbank 36 | 10/1/2013 | 0 | | 122,769 | 12,053 | 110,716 |
| Nedbank - 13.369% | PMB 810 871 0100 | Nedbank 37 | 10/1/2013 | 0 | | 69,768 | 6,850 | 62,919 |



THE MSUNDUZI MUNICIPALITY

APPENDIX A

SCHEDULE OF EXTERNAL LOANS AS AT 30 JUNE 2009

| EXTERNAL LOANS | ACCOUNT NO | Loan Number | Redeemable | Balance at 30/06/08 | Correction of error | Received during the period | Redeemed written off during the period | Balance at 30/06/09 |
|-------------------|------------------|-------------|------------|---------------------|---------------------|----------------------------|--|---------------------|
| | | | | | | | | |
| | | | | R | | R | R | R |
| Nedbank - 13.369% | PMB 810 871 0999 | Nedbank 38 | 10/1/2013 | 0 | | 69,768 | 6,850 | 62,919 |
| Nedbank - 13.369% | PMB 810 871 0998 | Nedbank 39 | 10/1/2013 | 0 | | 69,768 | 6,850 | 62,919 |
| Nedbank - 13.369% | PMB 810 871 0997 | Nedbank 40 | 10/1/2013 | 0 | | 69,768 | 6,850 | 62,919 |
| Nedbank - 13.369% | PMB 810 871 0996 | Nedbank 41 | 10/1/2013 | 0 | | 69,768 | 6,850 | 62,919 |
| Nedbank - 13.369% | PMB 810 871 0995 | Nedbank 42 | 10/1/2013 | 0 | | 69,768 | 6,850 | 62,919 |
| Nedbank - 13.369% | PMB 810 871 0994 | Nedbank 43 | 10/1/2013 | 0 | | 69,768 | 6,850 | 62,919 |
| Nedbank - 13.369% | PMB 810 871 0131 | Nedbank 44 | 10/1/2013 | 0 | | 122,769 | 12,053 | 110,716 |
| Nedbank - 13.369% | PMB 810 871 0993 | Nedbank 45 | 10/1/2013 | 0 | | 69,768 | 6,850 | 62,919 |
| Nedbank - 13.369% | PMB 810 871 0129 | Nedbank 46 | 10/1/2013 | 0 | | 122,769 | 12,053 | 110,716 |
| Nedbank - 13.369% | PMB 810 871 0101 | Nedbank 47 | 10/1/2013 | 0 | | 69,768 | 6,850 | 62,919 |
| Nedbank - 13.369% | PMB 810 871 0130 | Nedbank 48 | 10/1/2013 | 0 | | 122,769 | 12,053 | 110,716 |
| Nedbank - 13.369% | PMB 810 871 0991 | Nedbank 49 | 10/1/2013 | 0 | | 69,768 | 6,850 | 62,919 |
| Nedbank - 13.556% | PMB 810 871 0136 | Nedbank 50 | 10/1/2013 | 0 | | 104,605 | 10,224 | 94,382 |
| Nedbank - 13.369% | PMB 810 871 0990 | Nedbank 51 | 10/1/2013 | 0 | | 69,768 | 6,850 | 62,919 |
| Nedbank - 13.369% | PMB 810 871 0988 | Nedbank 52 | 10/1/2013 | 0 | | 69,768 | 6,850 | 62,919 |
| Nedbank - 13.369% | PMB 810 871 0989 | Nedbank 53 | 10/1/2013 | 0 | | 69,768 | 6,850 | 62,919 |
| Nedbank - 13.369% | PMB 810 871 0992 | Nedbank 54 | 10/1/2013 | 0 | | 69,768 | 6,850 | 62,919 |
| Nedbank - 13.369% | PMB 810 871 0987 | Nedbank 55 | 10/1/2013 | 0 | | 69,768 | 6,850 | 62,919 |
| Nedbank - 13.556% | PMB 810 871 0133 | Nedbank 56 | 10/1/2013 | 0 | | 104,605 | 10,224 | 94,382 |
| Nedbank - 13.556% | PMB 810 871 0134 | Nedbank 57 | 10/1/2013 | 0 | | 104,605 | 10,224 | 94,382 |
| Nedbank - 13.556% | PMB 810 871 0135 | Nedbank 58 | 10/1/2013 | 0 | | 104,605 | 10,224 | 94,382 |
| Nedbank - 13.556% | PMB 810 871 0132 | Nedbank 59 | 10/1/2013 | 0 | | 104,605 | 10,224 | 94,382 |
| Nedbank - 13.369% | PMB 810 871 0121 | Nedbank 60 | 10/1/2013 | 0 | | 138,256 | 13,574 | 124,683 |
| Nedbank - 13.369% | PMB 810 871 0119 | Nedbank 62 | 10/1/2013 | 0 | | 138,256 | 13,574 | 124,683 |
| Nedbank - 13.369% | PMB 810 871 0123 | Nedbank 63 | 10/1/2013 | 0 | | 138,256 | 13,574 | 124,683 |
| Nedbank - 13.369% | PMB 810 871 0122 | Nedbank 64 | 10/1/2013 | 0 | | 138,256 | 13,574 | 124,683 |
| Nedbank - 13.369% | PMB 810 871 0113 | Nedbank 65 | 10/1/2013 | 0 | | 138,256 | 13,574 | 124,683 |
| Nedbank - 13.369% | PMB 810 871 0115 | Nedbank 66 | 10/1/2013 | 0 | | 138,256 | 13,574 | 124,683 |
| Nedbank - 13.369% | PMB 810 871 0120 | Nedbank 67 | 10/1/2013 | 0 | | 138,256 | 13,574 | 124,683 |
| Nedbank - 13.369% | PMB 810 871 0125 | Nedbank 68 | 10/1/2013 | 0 | | 138,256 | 13,574 | 124,683 |



| THE MSUNDUZI MUNICIPALITY | | | | | | | | | |
|---|------------------|-------------|------------|---------------------|---------------------|----------------------------|--|---------------------|--|
| APPENDIX A | | | | | | | | | |
| SCHEDULE OF EXTERNAL LOANS AS AT 30 JUNE 2009 | | | | | | | | | |
| EXTERNAL LOANS | ACCOUNT NO | Loan Number | Redeemable | Balance at 30/06/08 | Correction of error | Received during the period | Redeemed written off during the period | Balance at 30/06/09 | |
| | | | | R | | R | R | R | |
| Nedbank - 13.369% | PMB 810 871 0114 | Nedbank 69 | 10/1/2013 | 0 | | 138,256 | 13,574 | 124,683 | |
| Nedbank - 13.369% | PMB 810 871 0112 | Nedbank 70 | 10/1/2013 | 0 | | 138,256 | 13,574 | 124,683 | |
| Nedbank - 13.369% | PMB 810 871 0124 | Nedbank 71 | 10/1/2013 | 0 | | 138,256 | 13,574 | 124,683 | |
| Nedbank - 13.369% | PMB 810 871 0117 | Nedbank 72 | 10/1/2013 | 0 | | 138,256 | 13,574 | 124,683 | |
| Nedbank - 13.369% | PMB 810 871 0127 | Nedbank 73 | 10/1/2013 | 0 | | 138,256 | 13,574 | 124,683 | |
| Nedbank - 13.369% | PMB 810 871 0126 | Nedbank 74 | 10/1/2013 | 0 | | 138,256 | 13,574 | 124,683 | |
| Nedbank - 13.369% | PMB 810 871 0116 | Nedbank 75 | 10/1/2013 | 0 | | 138,256 | 13,574 | 124,683 | |
| Nedbank - 13.369% | PMB 810 871 0118 | Nedbank 76 | 10/1/2013 | 0 | | 138,256 | 13,574 | 124,683 | |
| Nedbank - 13.369% | PMB 810 871 0111 | Nedbank 77 | 10/1/2013 | 0 | | 138,256 | 13,574 | 124,683 | |
| Nedbank - 13.376% | PMB 810 871 0140 | Nedbank 78 | 10/1/2013 | 0 | | 275,498 | 23,530 | 251,968 | |
| Nedbank - 13.376% | PMB 810 871 0141 | Nedbank 79 | 10/1/2013 | 0 | | 277,115 | 23,668 | 253,447 | |
| Nedbank - 13.376% | PMB 810 871 0142 | Nedbank 80 | 10/1/2013 | 0 | | 270,453 | 23,099 | 247,354 | |
| Nedbank - 13.376% | PMB 810 871 0143 | Nedbank 81 | 10/1/2013 | 0 | | 277,359 | 23,689 | 253,670 | |
| Nedbank Total | | | | 5,224,424 | 74,249 | 8,077,825 | 1,567,018 | 11,661,015 | |
| Absa - 14.9393% | PMB 810 871 0942 | Absa 2 | 5/31/2009 | 1,681,582 | -181,771 | 0 | 1,863,353 | -0 | |
| Absa - 10.6723% | PMB 810 871 0948 | Absa 3 | 4/1/2009 | 40,384 | 4,145 | 0 | 36,239 | 0 | |
| ABSA Total | | | | 1,721,966 | -177,626 | 0 | 1,899,592 | 0 | |
| Airport security system | PMB 810 871 0002 | Khomani | 31/03/2012 | 0 | 0 | 1,091,474 | 78,131 | 1,013,343 | |
| Other Finance lease total | | | | 0 | 0 | 1,091,474 | 78,131 | 1,013,343 | |
| Total lease liability | | | | 13,847,644 | -146,299 | 9,169,299 | 7,256,184 | 15,907,092 | |
| TOTAL EXTERNAL LOANS | | | | 384,981,883 | -146,299 | 139,169,299 | 44,805,509 | 479,492,006 | |



The Dynamic, Caring Capital City of Choice in KZN

| THE MSUNDUZI MUNICIPALITY APPENDIX B - ANALYSIS OF PROPERTY, PLANT AND EQUIPMENT AT 30 JUNE 2009 | | | | | | | | | | |
|---|--------------------|----------------------------------|-------------------|--------------------|--------------------------|--------------------|--------------------|-------------------|-----------------|--------------------|
| | Cost | | | | Accumulated Depreciation | | | | | |
| | Opening Balance | Under Construction Previous Year | Additions | Under Construction | Disposals | Closing Balance | Opening Balance | Additions | Disposals | Closing Balance |
| LAND AND BUILDINGS | | | | | | | | | | |
| Land | 35,715,856 | | 124,403 | | (1,661) | 35,838,598 | | | | 35,838,598 |
| Buildings | 97,831,408 | | 259,689 | 100,642 | - | 98,191,739 | 25,233,600 | 3,175,569 | | 28,409,169 |
| Total Land and Buildings | 133,547,264 | - | 384,092 | 100,642 | (1,661) | 134,030,338 | 25,233,600 | 3,175,569 | - | 105,621,169 |
| Electricity | | | | | | | | | | |
| Sub Stations | 61,287,947 | | 1,360,691 | 18,331,014 | | 80,979,651 | 18,427,022 | 1,718,217 | | 20,145,239 |
| Electrical Mains | 66,855,427 | | | | (227,200) | 66,628,227 | 25,790,782 | 3,378,608 | (11,360) | 29,158,030 |
| Electrical Meters | 44,498,414 | | | | | 44,498,414 | 16,325,648 | 2,012,845 | | 18,338,493 |
| Electrical Supply & Refabrication | 156,432,245 | (4,559,216) | | 1,147,360 | | 153,020,389 | 72,297,725 | 4,943,186 | | 77,240,911 |
| Load control equipment | 59,950 | | | | | 59,950 | 6,003 | 2,998 | | 9,001 |
| Switchgear Equipment | 25,827,423 | | 665,878 | 2,020,263 | | 28,513,564 | 7,066,133 | 1,202,472 | | 8,268,605 |
| Transformer Kiosks | 31,665,991 | | 88,182 | 3,883,279 | | 35,637,451 | 11,344,973 | 1,043,126 | | 12,388,099 |
| | 386,627,397 | (4,559,216) | 2,114,751 | 25,381,915 | (227,200) | 409,337,647 | 151,258,286 | 14,301,452 | (11,360) | 165,548,378 |
| Roads | | | | | | | | | | |
| Motoways | 155,732 | | | | | 155,732 | 34,518 | 15,573 | | 50,091 |
| Bridges, Subways and Culverts | 7,365,778 | | | 184,213 | | 7,549,991 | 2,783,185 | 245,395 | | 3,028,580 |
| Over head bridges | 191,415 | (3,943) | | | | 187,472 | 13,036 | 6,249 | | 19,285 |
| Bus Terminals | 5,251,041 | | 194,230 | | | 5,445,271 | 2,958,175 | 156,129 | | 3,114,304 |
| Car Parks | 124,286 | | | | | 124,286 | 41,491 | 4,377 | | 45,868 |
| Other Roads | 427,218,971 | (22,803,051) | 18,717,424 | 90,002,233 | | 513,135,578 | 263,760,880 | 20,057,576 | | 283,818,456 |
| Stormwater Drains | 67,295,799 | (7,067,399) | 7,448,403 | 473,419 | | 68,150,221 | 25,971,362 | 2,160,327 | | 28,131,689 |
| Street Lighting | 28,606,046 | | | 960,472 | | 29,566,518 | 11,181,291 | 937,132 | | 12,118,423 |
| Traffic Islands | 26,192 | | | | | 26,192 | 9,764 | 2,595 | | 12,359 |
| Traffic Lights | 1,638,481 | | | 1,281,658 | | 2,920,139 | 490,156 | 70,522 | | 560,678 |
| Road Banners | 278,138 | | | | | 278,138 | 18,753 | 13,907 | | 32,660 |
| | 538,151,879 | (29,874,393) | 26,360,057 | 92,901,993 | - | 627,539,536 | 307,262,611 | 23,669,782 | - | 330,932,393 |
| Sewerage | | | | | | | | | | |
| Outfall Sewers | 2,931,600 | | | | | 2,931,600 | 567,398 | 146,580 | | 713,978 |
| Purification Works | 35,893 | | | | | 35,893 | 35,893 | - | | 35,893 |
| Sewerage Pumps | 170,734 | | 161,064 | | | 331,798 | 37,195 | 12,265 | | 49,460 |
| Sewers | 161,732,897 | (28,584,997) | | 65,936,389 | | 199,084,289 | 46,550,328 | 4,293,840 | | 50,844,168 |
| | 164,871,124 | (28,584,997) | 161,064 | 65,936,389 | - | 202,383,580 | 47,190,814 | 4,452,684 | - | 51,643,498 |
| | | | | | | | | | | 150,740,082 |

THE MSUNDUZI MUNICIPALITY
APPENDIX B - ANALYSIS OF PROPERTY, PLANT AND EQUIPMENT AT 30 JUNE 2009

| | Cost | | | | | | Accumulated Depreciation | | | |
|------------------------------------|----------------------|----------------------------------|-------------------|--------------------|------------------|----------------------|--------------------------|-------------------|-----------------|--------------------|
| | Opening Balance | Under Construction Previous Year | Additions | Under Construction | Disposals | Closing Balance | Opening Balance | Additions | Disposals | Closing Balance |
| Water | | | | | | | | | | |
| Mains | 18,297,880 | (934,794) | 2,450 | 4,618,522 | | 21,984,059 | 2,357,343 | 818,586 | | 3,175,929 |
| Meters | 25,810,176 | | 1,452,684 | | | 27,262,860 | 11,569,044 | 1,727,163 | | 13,296,207 |
| Reservoirs | 2,437,119 | (1,004,862) | | 3,859,896 | | 5,292,153 | 81,930 | 21,370 | | 103,300 |
| Reticulation | 156,758,980 | | 25,502 | 5,275,803 | | 162,060,285 | 77,483,020 | 6,693,241 | (800) | 84,175,462 |
| Treatment Works | | | | | | - | - | - | | - |
| | 203,304,155 | (1,939,656) | 1,480,637 | 13,754,222 | - | 216,599,358 | 91,491,337 | 9,260,360 | (800) | 100,750,898 |
| Footways | | | | | | | | | | |
| Footways | 14,568,685 | | 409,124 | | | 15,077,809 | 9,301,984 | 562,677 | | 9,864,661 |
| Kerbing | 42,099,624 | | | | | 42,099,624 | 33,462,046 | 1,968,885 | | 35,430,931 |
| | 56,768,309 | - | 409,124 | - | - | 57,177,433 | 42,764,030 | 2,531,562 | - | 45,295,592 |
| Airport | | | | | | | | | | |
| Aprons | 346,854 | | | | | 346,854 | 92,875 | 17,343 | | 110,218 |
| Runways | 9,584,017 | | | 2,035,416 | | 11,619,433 | 3,487,245 | 473,556 | | 3,960,801 |
| Taxiways | 179,500 | | | | | 179,500 | 36,674 | 8,975 | | 45,649 |
| Radio Beacons | 198,551 | | | | | 198,551 | 72,960 | 9,928 | | 82,888 |
| | 10,308,922 | - | - | 2,035,416 | - | 12,344,338 | 3,689,754 | 509,801 | - | 4,199,555 |
| Security | | | | | | | | | | |
| Access Control Systems | 88,020 | | | | | 88,020 | 51,937 | 7,337 | | 59,274 |
| Fencing | 2,828,377 | | 2,152,864 | | | 4,981,241 | 2,072,670 | 392,192 | | 2,464,862 |
| Security Systems | 24,215,576 | | | | | 24,215,576 | 16,407,010 | 3,365,030 | | 19,772,040 |
| | 27,131,973 | - | 2,152,864 | - | - | 29,284,837 | 18,531,617 | 3,764,560 | - | 22,296,177 |
| | | | | | | | | | | |
| | 1,387,163,759 | (64,958,262) | 32,678,497 | 200,009,934 | (227,200) | 1,554,666,728 | 662,188,448 | 58,490,200 | (12,160) | 720,666,490 |
| Total Infrastructure Assets | | | | | | | | | | 834,000,239 |



THE MSUNDUZI MUNICIPALITY APPENDIX B - ANALYSIS OF PROPERTY, PLANT AND EQUIPMENT AT 30 JUNE 2009

| Accumulated Depreciation | | | | | | | | | | | |
|---------------------------|-------------------------------|----------------------------------|-------------|--------------------|-----------|-----------------|-----------------|------------|-----------|-----------------|----------------|
| Cost | | | | | | | | | | | |
| | Opening Balance | Under Construction Previous Year | Additions | Under Construction | Disposals | Closing Balance | Opening Balance | Additions | Disposals | Closing Balance | Carrying Value |
| COMMUNITY ASSETS | | | | | | | | | | | |
| | Buildings | | | | | | | | | | |
| | Cemeteries | 2,453,031 | | 1,870,394 | | 4,323,425 | 385,708 | 86,204 | | 471,912 | 3,851,513 |
| | Civic Theatres | 1,315,928 | | | | 1,315,928 | 603,461 | 43,864 | | 647,325 | 668,603 |
| | Clinics and Hospitals | 9,053,259 | | 169,606 | | 9,222,865 | 2,456,918 | 302,240 | | 2,759,158 | 6,463,707 |
| | Community Centres | 59,533,009 | | | 3,165,380 | 62,698,389 | 9,162,670 | 1,977,692 | | 11,140,362 | 51,558,027 |
| | Fire Stations | 2,615,761 | | | 380,000 | 2,995,761 | 900,433 | 78,723 | | 979,156 | 2,016,605 |
| | Games Reserves and Rest Camps | 521,835 | | | | 521,835 | 148,685 | 17,394 | | 166,079 | 355,756 |
| | Indoor Sports Facilities | 445,980 | | | | 445,980 | 187,157 | 14,866 | | 202,023 | 243,957 |
| | Library | 33,109,298 | (3,630,479) | 6,634,981 | | 36,113,800 | 3,251,213 | 859,790 | | 4,111,003 | 32,002,798 |
| | Museums and Art Galleries | 4,966,044 | | | | 4,966,044 | 2,408,032 | 164,510 | | 2,572,542 | 2,393,502 |
| | Parks | 3,261,460 | | | | 3,261,460 | 360,522 | 106,838 | | 467,360 | 2,794,100 |
| | Public Conveniences | 3,018,837 | | | | 3,018,837 | 788,372 | 100,293 | | 888,665 | 2,130,172 |
| | Recreation Centres | 1,039,451 | | | | 1,039,451 | 140,186 | 34,648 | | 174,834 | 864,617 |
| | Stadiums | 11,142,814 | | | | 11,142,814 | 1,928,896 | 367,095 | | 2,295,991 | 8,846,824 |
| | | 132,476,707 | (3,630,479) | 8,674,982 | 3,545,380 | - | 141,066,589 | 22,722,253 | 4,154,156 | - | 26,876,409 |
| Recreational Facilities | | | | | | | | | | | |
| Floodlighting | 2,285,497 | | | | | 2,285,497 | 1,013,338 | 112,399 | | 1,125,737 | 1,159,761 |
| Outdoor Sports Facilities | 47,465,470 | | | | | 47,465,470 | 21,554,984 | 2,333,518 | | 23,888,502 | 23,576,968 |
| Swimming Pools | 6,311,972 | | | | | 6,311,972 | 3,020,614 | 253,854 | | 3,274,468 | 3,037,504 |
| Tennis Courts | 189,550 | | 2,389,527 | | | 2,579,077 | 115,867 | 19,298 | | 135,165 | 2,443,913 |
| | 56,252,489 | - | 2,389,527 | - | - | 58,642,016 | 25,704,803 | 2,719,068 | - | 28,423,871 | 30,218,145 |
| Total Community Assets | 188,729,196 | (3,630,479) | 11,064,509 | 3,545,380 | - | 199,708,605 | 48,427,056 | 6,873,224 | - | 55,300,280 | 144,408,325 |
| | | | | | | | | | | | |



| THE MSUNDUZI MUNICIPALITY | | | | | | | | | | | |
|--|-----------------|----------------------------------|------------|--------------------|--------------------------|-----------------|-----------------|------------|-----------|-----------------|----------------|
| APPENDIX B - ANALYSIS OF PROPERTY, PLANT AND EQUIPMENT AT 30 JUNE 2009 | | | | | | | | | | | |
| | Cost | | | | Accumulated Depreciation | | | | | | |
| | Opening Balance | Under Construction Previous Year | Additions | Under Construction | Disposals | Closing Balance | Opening Balance | Additions | Disposals | Closing Balance | Carrying Value |
| OTHER ASSETS | | | | | | | | | | | |
| Other Properties | | | | | | | | | | | |
| Caravan Parks | 139,014 | | | | | 139,014 | 130,594 | 3,328 | | 133,922 | 5,093 |
| Abattoirs | 158,279 | | | | | 158,279 | 142,907 | 5,276 | | 148,183 | 10,096 |
| Hostels Workers | 632,152 | | | | | 632,152 | 92,255 | 21,003 | | 113,258 | 518,894 |
| Housing Schemes | 200,498,995 | | | | (16,105) | 200,482,890 | 15,239,155 | 6,558,978 | (42) | 21,798,091 | 178,684,799 |
| Markets | 23,232,855 | | 163,103 | | | 23,395,958 | 7,954,140 | 707,653 | | 8,661,793 | 14,734,166 |
| Nurseries | 564,012 | | | | | 564,012 | 117,439 | 18,800 | | 136,239 | 427,773 |
| Kilns | 1,162,850 | | | | | 1,162,850 | 331,108 | 38,762 | | 369,870 | 792,980 |
| Tip Sites | 46,803,982 | | 28,700,000 | | | 75,503,982 | 31,682,614 | 2,655,834 | | 34,338,448 | 41,165,534 |
| Training facilities | 343,507 | | | | | 343,507 | 7,709 | 8,160 | | 15,869 | 327,638 |
| Old Age Homes | 663,494 | | | | | 663,494 | 225,635 | 22,116 | | 247,751 | 415,743 |
| Transport Facilities | 41,089,253 | (360,871) | | 26,734 | | 40,755,116 | 2,851,340 | 1,055,571 | | 3,906,911 | 36,848,205 |
| Workshops and Depots | 4,981,201 | | 281,151 | | | 5,262,352 | 1,356,704 | 166,671 | | 1,523,375 | 3,738,977 |
| | 320,269,594 | (360,871) | 29,144,254 | 26,734 | (16,105) | 349,063,606 | 60,131,600 | 11,262,150 | (42) | 71,393,709 | 277,669,897 |
| Plant and Equipment | | | | | | | | | | | |
| Graders | 7,032,305 | | | | (914,039) | 6,118,266 | 2,896,401 | 553,125 | | 3,449,526 | 2,668,739 |
| Compressors | 138,950 | | | | | 138,950 | 138,950 | - | | 138,950 | - |
| Cremators | 1,767,178 | | | | | 1,767,178 | 228,059 | 117,812 | | 345,871 | 1,421,307 |
| Farm Equipment | 103,323 | | 1,000,000 | | | 1,103,323 | 45,722 | 20,323 | | 66,045 | 1,037,279 |
| General | 14,108,594 | | 3,253,403 | | (8,121) | 17,353,876 | 10,941,139 | 1,212,757 | (68,179) | 12,085,718 | 5,268,159 |
| Lawnmowers | 2,432,625 | | | | (152,665) | 2,279,960 | 2,430,609 | 923 | | 2,431,532 | (151,572) |
| Laboratory Equipment | 1,488,420 | | | | | 1,488,420 | 349,031 | 279,204 | | 628,235 | 860,186 |
| Radio Equipment | 1,618,858 | | 22,932 | | | 1,641,790 | 1,437,639 | 71,108 | | 1,508,747 | 133,042 |
| Telecommunication Equipment | 5,592,291 | | 126,627 | | | 5,718,918 | 2,632,572 | 1,065,735 | | 3,698,307 | 2,020,610 |
| Tractors | 6,307,757 | | 329,760 | | (243,615) | 6,393,902 | 3,801,766 | 346,559 | | 4,148,325 | 2,245,578 |
| | 40,590,301 | - | 4,732,721 | - | (1,318,440) | 44,004,582 | 24,901,888 | 3,667,545 | (68,179) | 28,501,255 | 15,503,328 |
| Other Assets carried forward | 360,859,895 | (360,871) | 33,876,975 | 26,734 | (1,334,545) | 393,068,188 | 85,033,488 | 14,929,695 | (68,220) | 99,894,963 | 293,173,225 |
| Other Assets brought forward | 360,859,895 | (360,871) | 33,876,975 | 26,734 | (1,334,545) | 393,068,188 | 85,033,488 | - | - | 99,894,963 | 293,173,225 |
| Office Equipment | | | | | | | | | | | |
| Air Conditioners | 11,310,144 | | 151,028 | | (2,166) | 11,459,006 | 8,141,748 | 1,000,740 | | 9,142,488 | 2,316,518 |
| Computer Hardware | 28,929,972 | | 4,903,569 | | | 33,833,541 | 22,888,007 | 3,360,406 | | 26,248,413 | 7,585,129 |
| Computer Software | 4,449,399 | | 43,040 | | | 4,492,439 | 2,828,718 | 1,172,717 | | 4,001,435 | 491,005 |
| Office Machines | 5,203,372 | | 548,745 | | (1,650,619) | 4,101,498 | 4,668,180 | 398,781 | | 5,066,961 | (965,463) |
| | 49,892,887 | - | 5,646,381 | - | (1,652,785) | 53,886,484 | 38,526,653 | 5,932,643 | - | 44,459,296 | 9,427,188 |

The Dynamic, Caring Capital City of Choice in KZN

THE MSUNDUZI MUNICIPALITY APPENDIX B - ANALYSIS OF PROPERTY, PLANT AND EQUIPMENT AT 30 JUNE 2009

| | Cost | | | | Accumulated Depreciation | | | |
|---------------------------------------|-------------------|----------------------------------|------------------|--------------------|--------------------------|-------------------|-------------------|----------------|
| | Opening Balance | Under Construction Previous Year | Additions | Under Construction | Disposals | Closing Balance | Opening Balance | Disposals |
| Furniture and Fittings | | | | | | | | |
| Cabinets and Cupboards | 7,985,105 | | 798,614 | | (3,880) | 8,779,840 | 7,452,238 | 81,079 |
| Chairs | 9,807,343 | | 100,000 | | (52,235) | 9,855,109 | 9,743,231 | 21,196 |
| Furniture and Fittings Other | 7,797,811 | | 133,756 | | (450,457) | 7,481,110 | 6,957,393 | 264,714 |
| Tables and Desks | 8,431,254 | | 54,465 | | (18,455) | 8,467,264 | 8,347,027 | 14,561 |
| | 34,021,513 | - | 1,086,835 | - | (525,027) | 34,583,322 | 32,499,889 | 381,550 |
| Containers | | | | | | | | |
| Household Refuse Bins | 256,014 | | | | | 256,014 | 179,452 | 31,564 |
| Bulk Containers | 1,291,141 | | | | | 1,291,141 | 353,613 | 129,115 |
| | 1,547,155 | - | - | - | - | 1,547,155 | 533,065 | 160,679 |
| Fire & Ambulance (Medical) | | | | | | | | |
| Fire Equipment | 7,757,512 | | 171,100 | | | 7,928,612 | 6,426,962 | 113,169 |
| Medical Equipment - Clinics | 1,322,496 | | | | (42,571) | 1,279,925 | 973,115 | 82,085 |
| | 9,080,008 | - | 171,100 | - | (42,571) | 9,208,537 | 7,400,077 | 195,254 |
| Motor Vehicles | | | | | | | | |
| Fire Engines | 9,696,041 | | 3,018,562 | 2,016,500 | | 14,731,103 | 3,770,928 | 319,087 |
| Buses | 451,139 | | | | (451,139) | - | 451,139 | - |
| Motor Vehicles | 20,440,360 | | 1,398,513 | | (884,922) | 20,953,951 | 12,834,097 | 2,531,834 |
| Motor Cycles | 696,111 | | 22,600 | | | 718,711 | 696,112 | - |
| Trailers | 1,147,281 | | | | (86,410) | 1,060,871 | 1,147,281 | 1,533 |
| Trucks and Bakkies | 90,828,521 | | | | (5,780,842) | 85,047,679 | 83,172,473 | 2,624,963 |
| | 123,259,453 | - | 4,439,675 | 2,016,500 | (7,203,313) | 122,512,315 | 102,072,029 | 5,477,417 |
| Capital leases | | | | | | | | |
| Motor Vehicles | - | - | - | - | - | - | - | - |
| | - | - | - | - | - | - | - | - |



THE MSUNDUZI MUNICIPALITY
APPENDIX B - ANALYSIS OF PROPERTY, PLANT AND EQUIPMENT AT 30 JUNE 2009

| | Cost | | | | | Accumulated Depreciation | | | | |
|--------------------------------------|----------------------|----------------------------------|-------------------|--------------------|---------------------|--------------------------|----------------------|-------------------|------------------|----------------------|
| | Opening Balance | Under Construction Previous Year | Additions | Under Construction | Disposals | Closing Balance | Opening Balance | Additions | Disposals | Closing Balance |
| General | | | | | | | | | | |
| Railway Lines | 3,509,480 | | | | | 3,509,480 | 2,042,069 | 165,672 | | 2,207,741 |
| Aircraft | 367,564 | | | | | 367,564 | 100,127 | 24,504 | | 124,631 |
| Watercraft | 131,177 | | | | | 131,177 | 131,177 | - | | 131,177 |
| Rivers | 1,462,550 | | | | | 1,462,550 | 967,775 | | | 967,775 |
| Rivers | 1,628,317 | | | | | 1,628,317 | 158,590 | 81,415 | | 240,005 |
| Land-Housing | 1,295,395 | | | | | 1,295,395 | 1,061,040 | | | 1,061,040 |
| Artworks | 1,792,853 | | | | | 1,792,853 | | | | |
| | 10,187,336 | - | - | - | - | 10,187,336 | 4,460,778 | 271,592 | - | 4,732,370 |
| Total Other Assets | 588,848,247 | (360,871) | 45,220,967 | 2,043,234 | (10,758,240) | 624,993,336 | 270,525,980 | 27,348,830 | (144,657) | 297,730,151 |
| TOTAL | 2,298,288,466 | (68,949,610) | 89,348,064 | 205,699,190 | (10,987,101) | 2,513,399,007 | 1,006,375,085 | 95,887,822 | (156,817) | 1,411,280,785 |
| Intangible Assets | 11,085,183 | | 2,960,171 | | | 14,045,354 | 10,181,487 | 786,155 | | 3,077,712 |
| Agricultural/Biological Assets | 602,670 | | 85,713 | | | 688,383 | | | | 688,383 |
| Grand Total Assets | 2,309,976,318 | (68,949,611) | 92,393,948 | 205,699,190 | (10,987,101) | 2,528,132,745 | 1,016,556,573 | 96,673,976 | (156,817) | 1,415,046,880 |
| Less previous years disposals | | | | | | | | (48,290) | | |
| General Ledger balance as at June 09 | | | | | | | | 96,625,686 | | |



The Dynamic, Caring Capital City of Choice in KZN

| THE MSUNDUZI MUNICIPALITY APPENDIX B.1 ASSET REGISTER RECONSTRUCTED AS AT 30 JUNE 2009 ANALYSIS OF PROPERTY, PLANT AND EQUIPMENT AT 30 JUNE 2009 | | | | | | |
|--|--------------------------|--------------------|--------------|--------------------------|----------------------------|---|
| LAND AND BUILDINGS | Carrying Value | Under Construction | Adjustments | Carrying Value (PPE) | Deemed cost adjustment | Deemed Cost |
| | 35,838,598 69,782,571 | - 100,642 | | 35,838,598 69,681,928 | 144,624,028 142,802,874 | 180,462,626 212,484,802 534,167,000 |
| Total Land and Buildings | 105,621,169 | 100,642 | - | 105,520,527 | 821,593,902 | 927,114,428 |
| Electricity | | | | | | |
| Sub Stations | 60,834,412 | 18,331,014 | | 42,503,399 | | 44,917,232 |
| Electrical Mains | 37,470,197 | - | | 37,470,197 | | 326,910,630 |
| Electrical Meters | 26,159,921 | - | | 26,159,921 | | 13,145,573 |
| Electrical Supply & Reticulation | 75,779,478 | 1,147,360 | | 74,632,118 | | 696,469 |
| Load control equipment | 50,950 | - | | 50,950 | | 99,619,081 |
| Switchgear Equipment | 20,244,960 | 2,020,263 | | 18,224,697 | | 20,833,903 |
| Transformer Kiosks | 23,249,352 | 3,883,279 | | 19,366,074 | | 110,438,140 |
| | | | | | | 659,601,857 |
| | | | | | | 12,426,819 |
| | | | | | | 7,955,718 |
| | 243,789,269 | 25,381,915 | - | 218,407,354 | 1,078,138,067 | 1,296,545,422 |
| Roads | | | | | | |
| Motoways | 105,641 | - | | 105,641 | | 125,000 |
| Bridges, Subways and Culverts | 4,521,411 | 184,213 | | 4,337,198 | | 24,646,497 |
| Over head bridges | 168,187 | - | | 168,187 | | 1,209,618,240 |
| Bus Terminals | 2,330,967 | - | | 2,330,967 | | 102,636,989 |
| Car Parks | 78,418 | - | | 78,418 | | 339,141 |
| Roads carried forward | 7,204,623 | 184,213 | - | 7,020,411 | 1,330,345,456 | 1,337,365,867 |
| Roads brought forward | 7,204,623 | 184,213 | - | 7,020,411 | 1,330,345,456 | 1,337,365,867 |
| Other Roads | 229,317,122 | 90,002,233 | | 139,314,889 | | 226,297,767 |
| Stormwater Drains | 40,018,532 | 473,419 | (39,545,114) | (0) | | 32,728,667 |
| Street Lighting | 17,448,095 | 960,472 | | 16,487,623 | | 27,663,950 |
| Traffic Islands | 13,833 | - | | 13,833 | | |
| Traffic Lights | 2,359,461 | 1,281,658 | | 1,077,803 | | |
| Road Banners | 245,478 | - | | 245,478 | | |
| Kerbing | | | 6,668,693 | 6,668,693 | | |



| THE MSUNDUZI MUNICIPALITY APPENDIX B.1 ASSET REGISTER RECONSTRUCTED AS AT 30 JUNE 2009 ANALYSIS OF PROPERTY, PLANT AND EQUIPMENT AT 30 JUNE 2009 | | | | | | |
|--|--------------------|--------------------|--------------------|----------------------|------------------------|--------------------|
| | Carrying Value | Under Construction | Adjustments | Carrying Value (PPE) | Deemed cost adjustment | Deemed Cost |
| Sewerage | 296,607,143 | 92,901,993 | (32,876,421) | 170,828,729 | 1,453,227,522 | 1,624,056,250 |
| Outfall Sewers | 2,217,622 | - | | 2,217,622 | | 6,855,769 |
| Purification Works | - | - | | - | | 1,937,582 |
| Sewerage Pumps | 282,338 | - | | 282,338 | | 56,886,285 |
| Sewers | 148,240,122 | 65,936,389 | | 82,303,733 | | 313,250,017 |
| | 150,740,082 | 65,936,389 | - | 84,803,693 | 294,125,960 | 378,929,653 |
| Water | | | | | | |
| Mains | 18,808,129 | 4,618,522 | | 14,189,607 | | 417,802,201 |
| Meters | 13,966,653 | - | | 13,966,653 | | 2,928,100 |
| Reservoirs | 5,188,854 | 3,859,896 | | 1,328,957 | | 8,306,093 |
| Reticulation | 77,884,824 | 5,275,803 | | 72,609,021 | | 107,718,163 |
| Treatment Works | | - | | - | | 279,783,129 |
| | 115,848,459 | 13,754,222 | - | 102,094,238 | 714,582,012 | 816,676,250 |
| Footways | | | | | | |
| Footways | 5,213,148 | - | | 5,213,148 | | |
| Kerbing | 6,668,693 | - | (6,668,693) | - | | |
| | 11,881,841 | - | (6,668,693) | 5,213,148 | (5,213,148) | |
| Airport | | | | | | |
| Aprons | 236,636 | - | | 236,636 | | 43,061,760 |
| Runways | 7,658,632 | 2,035,416 | | 5,623,217 | | 12,299,874 |
| Taxiways | 133,852 | - | | 133,852 | | 115,663 |
| Radio Beacons | 115,663 | - | | 115,663 | | |
| | 8,144,784 | 2,035,416 | - | 6,109,368 | 49,367,929 | 55,477,297 |
| Security | | | | | | |
| Access Control Systems | 28,746 | - | | 28,746 | | 28,746 |
| Fencing | 2,516,379 | - | | 2,516,379 | | |
| Security Systems | 4,443,536 | - | | 4,443,536 | | 4,443,536 |
| | 6,988,661 | - | - | 6,988,661 | (2,516,379) | 4,472,282 |



The Dynamic, Caring Capital City of Choice in KZN

| THE MSUNDUZI MUNICIPALITY | | | | | | |
|--|----------------|--------------------|-------------|----------------------|------------------------|---------------|
| APPENDIX B.1 ASSET REGISTER RECONSTRUCTED AS AT 30 JUNE 2009 | | | | | | |
| ANALYSIS OF PROPERTY, PLANT AND EQUIPMENT AT 30 JUNE 2009 | | | | | | |
| | Carrying Value | Under Construction | Adjustments | Carrying Value (PPE) | Deemed cost adjustment | Deemed Cost |
| Storm water | | | | | | |
| Stormwater Drains | - | | 39,545,114 | 39,545,114 | | 37,500,670 |
| | | | | | | 508,478 |
| | | | | | | 71,025,869 |
| | | | | | | 46,275,372 |
| | | | | | | 11,638,132 |
| | | | | | | 298,877,465 |
| | | | | | | 4,540,536 |
| | - | | 39,545,114 | 39,545,114 | 430,821,408 | 470,366,521 |
| | | | | | | |
| Solid waste disposal | | | | | | |
| | | | | | | 1,574,781 |
| | | | | | | 2,387,756 |
| | | | | | | 715,540 |
| | | | | | 4,678,078 | 4,678,078 |
| Total Infrastructure Assets | 834,000,239 | 200,009,934 | - | 633,990,305 | 4,017,211,448 | 4,651,201,752 |
| COMMUNITY ASSETS | | | | | | |
| Buildings | | | | | | |
| Cemeteries | 3,851,513 | - | | 3,851,513 | | 4,260,766 |
| Civic Theatres | 668,603 | - | | 668,603 | | 285,086 |
| Clinics and Hospitals | 6,463,707 | - | | 6,463,707 | | 31,684,341 |
| Community Centres | 51,558,027 | 3,165,380 | | 48,392,647 | | 20,063,079 |
| Fire Stations | 2,016,605 | 380,000 | | 1,636,605 | | 100,294,228 |
| Games Reserves and Rest Camps | 355,756 | - | | 355,756 | | 17,029,112 |
| Indoor Sports Facilities | 243,957 | - | | 243,957 | | 61,224,081 |
| Library | 32,002,798 | - | | 32,002,798 | | 15,853,094 |
| Museums and Art Galleries | 2,393,502 | - | | 2,393,502 | | 4,128,325 |
| Parks | 2,794,100 | - | | 2,794,100 | | 55,496,543 |
| Public Conveniences | 2,130,172 | - | | 2,130,172 | | 38,063,402 |
| Recreation Centres | 864,617 | - | | 864,617 | | |
| Stadiums | 8,846,824 | - | | 8,846,824 | | |
| | 114,190,180 | 3,545,380 | - | 110,644,800 | 237,737,255 | 348,382,055 |
| | | | | | | |



| THE MSUNDUZI MUNICIPALITY APPENDIX B.1 ASSET REGISTER RECONSTRUCTED AS AT 30 JUNE 2009 ANALYSIS OF PROPERTY, PLANT AND EQUIPMENT AT 30 JUNE 2009 | | | | | | |
|--|--------------------|-------------------|----------------------|-------------------------------|------------------------|--------------------|
| Carrying Value | Under Construction | Adjustments | Carrying Value (PPE) | | Deemed cost adjustment | Deemed Cost |
| Recreational Facilities | | | | Recreation facilities | | |
| Floodlighting | 1,159,761 | - | 1,159,761 | Swimming Pools | | 11,484,077 |
| Outdoor Sports Facilities | 23,576,968 | - | 23,576,968 | Sports Facilities | | 6,418,168 |
| Swimming Pools | 3,037,504 | - | 3,037,504 | Squash courts | | 4,703,094 |
| Tennis Courts | 2,443,912 | - | 2,443,912 | Parks | | 152,901,872 |
| | 30218144.12 | | 30218144.12 | | 145,289,067 | 175,507,211 |
| Total Community Assets | 3,545,380 | - | 140,862,945 | | 383,026,322 | 523,889,266 |
| OTHER ASSETS | | | | OTHER ASSETS | | |
| Other Properties | | | | Other assets | | |
| Caravan Parks | 5,093 | - | 5,093 | Creche | | 11,424,202 |
| Abattoirs | 10,096 | - | 10,096 | Crematorium | | 4,979,564 |
| Hostels Workers | 518,894 | - | 518,894 | Housing Scheme | | 97,370,820 |
| Housing Schemes | 178,684,799 | - | 178,684,799 | Hostels | | 302,660 |
| Markets | 14,734,166 | - | 14,734,166 | Landfill site | | 1,117,121 |
| Nurseries | 427,773 | - | 427,773 | Markets | | 182,708,088 |
| Kilns | 792,980 | - | 792,980 | Nursery | | 7,464,970 |
| Tip Sites | 60,415,201 | - | 31,715,201 | Old Age Home | | 564,630 |
| Training facilities | 327,638 | - | 327,638 | Training Centre | | 6,728,315 |
| Old Age Homes | 415,743 | - | 415,743 | Transport Facility | | 15,278,142 |
| Transport Facilities | 36,848,205 | 26,734 | 36,821,472 | Substation | | 887,529 |
| Workshops and Depots | 3,738,976 | - | 3,738,976 | Sewerage Works and Dump sites | | 511,525 |
| | | | - | Workshops and Depots | | 22,263,936 |
| | | | - | Agriculture/Biological assets | | 688,383 |
| | 296,919,563 | 28,726,733 | 268,192,830 | | 84,097,056 | 352,289,886 |



| THE MSUNDUZI MUNICIPALITY APPENDIX B.1 ASSET REGISTER RECONSTRUCTED AS AT 30 JUNE 2009 ANALYSIS OF PROPERTY, PLANT AND EQUIPMENT AT 30 JUNE 2009 | | | | | |
|--|--------------------|-------------|----------------------|------------------------|-------------------|
| Carrying Value | Under Construction | Adjustments | Carrying Value (PPE) | Deemed cost adjustment | Deemed Cost |
| Plant and Equipment | | | | | |
| Graders | 2,668,739 | | 2,668,739 | | 2,668,739 |
| Compactors | - | | - | | - |
| Cremators | 1,421,307 | | 1,421,307 | | 1,421,307 |
| Farm Equipment | 1,037,279 | | 1,037,279 | | 1,037,279 |
| General | 5,268,159 | | 5,268,159 | | 5,268,159 |
| Lawnmowers | (151,572) | | (151,572) | | -151,572 |
| Laboratory Equipment | 860,186 | | 860,186 | | 860,186 |
| Radio Equipment | 133,042 | | 133,042 | | 133,042 |
| Telecommunication Equipment | 2,020,610 | | 2,020,610 | | 2,020,610 |
| Tractors | 2,245,578 | | 2,245,578 | | 2,245,578 |
| | 15,503,328 | | 15,503,328 | | 15,503,328 |
| Office Equipment | | | | | |
| Air Conditioners | 2,316,518 | | 2,316,518 | | 2,316,518 |
| Computer Hardware | 7,585,129 | | 7,585,129 | | 7,585,129 |
| Computer Software | 491,005 | | 491,005 | | 491,005 |
| Office Machines | (965,463) | | (965,463) | | (965,463) |
| | 9,427,188 | | 9,427,188 | | 9,427,188 |
| Furniture and Fittings | | | | | |
| Cabinets and Cupboards | 1,246,523 | | 1,246,523 | | 1,246,523 |
| Chairs | 90,751 | | 90,751 | | 90,751 |
| Furniture and Fittings Other | 309,639 | | 309,639 | | 309,639 |
| Tables and Desks | 105,676 | | 105,676 | | 105,676 |
| | 1,752,589 | | 1,752,589 | | 1,752,589 |
| Containers | | | | | |
| Household Refuse Bins | 44,998 | | 44,998 | | 44,998 |
| Bulk Containers | 808,413 | | 808,413 | | 808,413 |
| | 853,411 | | 853,411 | | 853,411 |
| Fire & Ambulance (Medical) | | | | | |
| Fire Equipment | | | | | - |
| Medical Equipment - Clinics | 230,394 | | 230,394 | | 230,394 |
| | 1,618,874 | | 1,618,874 | | 1,618,874 |



| THE MSUNDUZI MUNICIPALITY APPENDIX B.1 ASSET REGISTER RECONSTRUCTED AS AT 30 JUNE 2009 ANALYSIS OF PROPERTY, PLANT AND EQUIPMENT AT 30 JUNE 2009 | | | | | | |
|--|----------------------|--------------------|-------------------|----------------------|------------------------|----------------------|
| | Carrying Value | Under Construction | Adjustments | Carrying Value (PPE) | Deemed cost adjustment | Deemed Cost |
| Motor Vehicles | | | | | | |
| Fire Engines | 10,641,088 | | | 8,624,588 | | 8,624,588 |
| Buses | (451,139) | 2,016,500 | | (451,139) | | -451,139 |
| Motor Vehicles | 5,608,083 | | | 5,608,083 | | 5,608,083 |
| Motor Cycles | 22,599 | | | 22,599 | | 22,599 |
| Trailers | (87,943) | | | (87,943) | | -87,943 |
| Trucks and Bakkies | (749,757) | | | (749,757) | | -749,757 |
| | 14,982,931 | 2,016,500 | | 12,966,430 | | 12,966,430 |
| Capital leases | | | | | | |
| Motor Vehicles | - | | | | | - |
| | - | | | | | - |
| General | | | | | | |
| Railway Lines | 1,301,739 | | | 1,301,739 | | 1,301,739 |
| Aircraft | 242,933 | | | 242,933 | | 242,933 |
| General assets carried forward | 1,544,671 | | | 1,544,671 | | 1,544,671 |
| General assets brought forward | 1,544,671 | | | 1,544,671 | | 1,544,671 |
| Watercraft | | | | | | |
| Rivers | 494,775 | | | 494,775 | | 494,775 |
| Rivers | 1,388,311 | | | 1,388,311 | | 1,388,311 |
| Land-Housing | 234,353 | | | 234,353 | | 234,353 |
| Artworks | 1,792,853 | | | 1,792,853 | | 1,792,853 |
| | 5,454,963 | | | 5,454,963 | | 5,454,963 |
| Total Other Assets | 346,512,848 | 30,743,233 | - | 315,769,614 | 84,097,056 | 399,866,670 |
| TOTAL | 1,430,530,452 | 234,399,190 | - | 1,196,131,261 | 5,305,940,856 | 6,502,072,117 |
| Intangible assets | 3,077,712 | | | 3,077,712 | | 3,077,712 |
| Agriculture/Biological assets | 688,383 | | | 688,383 | | 176,686 |
| | 1,434,296,547 | 234,399,190 | 32,876,421 | 1,199,897,356 | 5,305,940,856 | 6,505,326,515 |



The Dynamic, Caring Capital City of Choice in KZN

| THE MSUNDUZI MUNICIPALITY APPENDIX C ANALYSIS OF PROPERTY , PLANT AND EQUIPMENT AS AT 30 JUNE 2009 | | | | | | | | | | | |
|--|-----------------|----------------------------------|------------|--------------------|--------------|-----------------|--------------------------|------------|-----------|-----------------|----------------|
| Fixed Assets | | Historical Cost | | | | | Accumulated Depreciation | | | | Carrying Value |
| Description | Opening Balance | Under Construction Previous Year | Additions | Under Construction | Disposals | Closing Balance | Opening Balance | Additions | Disposals | Closing Balance | |
| Executive and Council | 8,846,539 | | | | | 8,846,539 | 4,517,430 | | | 4,517,430 | 4,329,109 |
| Finance and Administration | 331,183,005 | | 3,344,263 | | (1,661) | 334,525,607 | 169,898,863 | 3,961,724 | | 173,860,587 | 160,652,889 |
| Planning and Development | 73,746,631 | | | | | 73,746,631 | 24,928,928 | | | 24,928,928 | 48,817,703 |
| Health | 18,205,144 | | 169,606 | | | 18,374,750 | 8,438,709 | 302,240 | (5,668) | 8,735,281 | 9,639,469 |
| Community and Social Services | 40,752,631 | (3,630,479) | 8,505,376 | 3,545,380 | | 49,172,908 | 10,400,052 | | | 10,400,052 | 38,772,856 |
| Housing | 185,371,843 | | | | (16,105) | 185,355,738 | 15,960,008 | 3,773,193 | | 19,733,201 | 165,622,537 |
| Public Safety | 57,033,782 | | 2,169,964 | 2,016,500 | (42,571) | 61,177,675 | 35,654,948 | 3,843,282 | | 39,498,230 | 21,679,445 |
| Sport and Recreation | 115,498,052 | | 2,389,527 | | | 117,887,579 | 47,137,810 | 2,719,068 | | 49,856,878 | 68,030,701 |
| Road Transport | 567,440,440 | (29,874,393) | 26,769,181 | 92,901,994 | | 657,237,222 | 321,774,776 | 26,201,344 | | 347,976,120 | 309,261,102 |
| Environmental Protection | 738,845 | | | | | 738,845 | 91,500 | 26,201,344 | | 26,292,844 | (25,553,999) |
| Water | 207,641,424 | (1,939,655) | 1,480,637 | 13,754,222 | | 220,936,628 | 95,935,122 | 9,260,360 | (800) | 105,194,682 | 115,741,946 |
| Waste Water Management | 237,086,790 | (28,584,996) | 161,064 | 65,936,389 | | 274,599,247 | 72,943,248 | 4,452,687 | | 77,395,935 | 197,203,312 |
| Electricity | 425,678,207 | (4,559,216) | 2,114,751 | 25,381,915 | (227,200) | 448,388,457 | 175,277,941 | 14,301,452 | (11,360) | 189,568,033 | 258,820,424 |
| Other | 40,752,985 | (360,871) | 16,589,579 | 30,862,791 | (10,699,564) | 77,144,920 | 15,264,238 | 740,617 | (138,989) | 15,865,866 | 61,279,054 |
| TOTALS | 2,309,976,318 | (68,949,611) | 63,693,948 | 234,399,191 | (10,987,101) | 2,528,132,745 | 998,223,573 | 95,757,311 | (156,817) | 1,093,824,067 | 1,434,296,547 |



**THE MSUNDUZI MUNICIPALITY
APPENDIX C 1 - RECONSTRUCTED ANALYSIS OF PROPERTY, PLANT AND EQUIPMENT AS AT 30 JUNE 2009**

| Fixed Assets | Historical Cost | | | | | | Accumulated Depreciation | | | | Carrying Value | Adjustment for Asset register reconstruction | |
|-------------------------------|----------------------|----------------------------------|-------------------|--------------------|---------------------|----------------------|--------------------------|-------------------|------------------|----------------------|----------------------|--|----------------------|
| | Opening Balance | Under Construction Previous Year | Additions | Under Construction | Disposals | Closing Balance | Opening Balance | Additions | Disposals | Closing Balance | | Deemed cost Adjustment | New Carry value |
| Executive and Council | 8,846,539 | | | | | 8,846,539 | 4,517,430 | | | 4,517,430 | 4,329,109 | - | 4,329,109 |
| Finance and Administration | 331,183,005 | | 3,344,263 | | (1,661) | 334,525,607 | 169,898,863 | 3,961,724 | | 173,860,587 | 160,652,889 | 770,926,690 | 931,579,579 |
| Planning and Development | 73,746,631 | | | | | 73,746,631 | 24,928,928 | | | 24,928,928 | 48,817,703 | - | 48,817,703 |
| Health | 18,205,144 | | 169,606 | | | 18,374,750 | 8,438,709 | 302,240 | (5,668) | 8,735,281 | 9,639,469 | 14,668,534 | 24,308,003 |
| Community and Social Services | 40,752,631 | (3,630,479) | 8,505,376 | 3,545,380 | | 49,172,908 | 10,400,052 | | | 10,400,052 | 38,772,856 | 173,553,320 | 212,326,176 |
| Housing | 185,371,843 | | | | (16,105) | 185,355,738 | 15,960,008 | 3,773,193 | | 19,733,201 | 165,622,537 | 38,335,502 | 203,958,039 |
| Public Safety | 57,033,782 | | 2,169,964 | 2,016,500 | (42,571) | 61,177,675 | 35,654,948 | 3,843,282 | | 39,498,230 | 21,679,445 | 12,450,338 | 34,129,783 |
| Sport and Recreation | 115,498,052 | | 2,389,527 | | | 117,887,579 | 47,137,810 | 2,719,068 | | 49,856,878 | 68,030,701 | 194,584,663 | 262,615,364 |
| Road Transport | 567,440,440 | (29,874,393) | 26,769,181 | 92,901,994 | | 657,237,222 | 321,774,776 | 26,201,344 | | 347,976,120 | 309,261,102 | 1,427,141,794 | 1,736,402,896 |
| Environmental Protection | 738,845 | | | | | 738,845 | 91,500 | 26,201,344 | | 26,292,844 | (25,553,999) | - | (25,553,999) |
| Water | 207,641,424 | (1,939,655) | 1,480,637 | 13,754,222 | | 220,936,628 | 95,935,122 | 9,260,360 | (800) | 105,194,682 | 115,741,946 | 707,928,127 | 823,670,072 |
| Waste Water Management | 237,086,790 | (28,584,996) | 161,064 | 65,936,389 | | 274,599,247 | 72,943,248 | 4,452,687 | | 77,395,935 | 197,203,312 | 740,898,769 | 938,102,081 |
| Electricity | 425,678,207 | (4,559,216) | 2,114,751 | 25,381,915 | (227,200) | 448,388,457 | 175,277,941 | 14,301,452 | (11,360) | 189,568,033 | 258,820,424 | 1,148,226,783 | 1,407,047,207 |
| Other | 40,752,985 | (360,871) | 16,589,579 | 30,862,791 | (10,699,564) | 77,144,920 | 15,264,238 | 740,617 | (138,989) | 15,865,866 | 61,279,054 | 76,537,982 | 137,817,006 |
| TOTALS | 2,309,976,318 | (68,949,611) | 63,693,948 | 234,399,191 | (10,987,101) | 2,528,132,745 | 998,223,573 | 95,757,311 | (156,817) | 1,093,824,067 | 1,434,296,547 | 5,305,252,473 | 6,739,549,020 |



APPENDIX - D

The Msunduzi Municipality: Segmental Statement of Financial Performance for the year ended 30 June 2009

| 2008 | 2008 | 2008 | 2009 | 2009 | 2009 |
|---------------|--------------------|-------------------|---------------------------------|--------------------|-------------------|
| Actual Income | Actual Expenditure | Surplus/(Deficit) | Actual Income | Actual Expenditure | Surplus/(Deficit) |
| 12,363 | 37,831,089 | (37,818,726) | Executive & Council | 71,894,906 | (71,396,331) |
| 489,893,266 | 143,305,935 | 346,587,331 | Budget & Treasury Office | 273,873,012 | 433,743,055 |
| 4,458,182 | 71,621,750 | (67,163,568) | Corporate Services | 80,943,578 | (76,485,015) |
| 25,506,900 | 61,113,533 | (35,606,633) | Planning & Development | 60,181,338 | (45,216,944) |
| 8,260,788 | 34,730,497 | (26,469,709) | Health | 39,159,997 | (30,973,494) |
| 4,952,425 | 35,721,249 | (30,768,824) | Community & Social Services | 41,753,179 | (29,613,399) |
| 14,879,298 | 29,143,545 | (14,264,247) | Housing | 53,209,000 | (14,496,289) |
| 16,393,012 | 82,086,901 | (65,693,889) | Public Safety | 110,350,124 | (89,512,648) |
| 906,043 | 44,649,585 | (43,743,542) | Sport and Recreation | 54,391,961 | (53,390,579) |
| 994 | 41,740,417 | (41,739,423) | Environmental Protection | 60,754,636 | (60,749,182) |
| 169,438,443 | 123,359,272 | 46,079,171 | Waste Management | 176,452,596 | (227,954) |
| 83,210 | 29,438,219 | (29,355,009) | Waste Water Management | 33,467,476 | (33,463,012) |
| 48,682,423 | 125,003,368 | (76,320,945) | Road Transport | 157,795,952 | (111,046,850) |
| 256,074,497 | 207,091,958 | 48,982,539 | Water | 230,456,909 | 71,322,456 |
| 555,919,175 | 449,945,991 | 105,973,184 | Electricity | 662,243,682 | 83,151,317 |
| 2,693,252 | 5,408,079 | (2,714,827) | Other/Air Transport | 7,459,879 | (4,759,822) |
| 10,278,274 | 8,860,522 | 1,417,752 | Other/Forestry | 8,854,197 | 1,605,395 |
| 14,645,733 | 11,268,814 | 3,376,919 | Other/Markets | 11,983,079 | 3,356,278 |
| 401,731 | 2,173,573 | (1,771,842) | Other/Licensing & Regulation | 364,095 | (2,391,407) |
| 1,623,480,009 | 1,544,494,297 | 78,985,712 | Sub - Total | 2,137,981,003 | -30,544,423 |
| 0 | -37,697,691 | -37,697,691 | Less: Inter-Dept Charges | 0 | -51,887,001 |
| 1,623,480,009 | 1,506,796,606 | 116,683,403 | Total | 2,107,436,579 | 21,342,577 |



Appendix - E

The Msunduzi Municipality: Actual versus Budget (Revenue and Expenditure) for the year ended 30 JUNE 2009

| Description | Actual 2009 | | Budget 2009 | | Variance 2009 | | Variance 2009 | Explanation of Significant variances greater than 10% versus Budget |
|---|---------------|--|---------------|--|---------------|---|---------------|---|
| | R | | R | | R | % | | |
| Revenue | | | | | | | | |
| Property Rates | 378,556,015 | | 376,363,065 | | 2,192,950 | | 0.58 | |
| Property Rates - Penalties and Collection Charges | 20,581,029 | | 20,941,823 | | (360,794) | | (1.72) | |
| Service Charges | 952,438,874 | | 958,443,110 | | (6,004,236) | | (0.63) | |
| Sale of Electricity | 627,506,504 | | 633,863,290 | | (6,356,786) | | (1.00) | |
| Sale of Water | 213,920,408 | | 210,554,291 | | 3,366,117 | | 1.60 | |
| Sewerage | 68,432,384 | | 67,783,101 | | 649,283 | | 0.96 | |
| Refuse | 42,579,578 | | 46,242,428 | | (3,662,850) | | (7.92) | |
| Rentals Received | 16,684,449 | | 16,998,879 | | (314,430) | | (1.85) | |
| Interest earned - External Investments | 17,073,381 | | 10,019,004 | | 7,054,377 | | 70.41 | |
| Interest earned - Outstanding debtors | 18,437,113 | | 19,811,497 | | (1,374,384) | | (6.94) | |
| Fines | 14,299,020 | | 13,343,517 | | 955,503 | | 7.16 | |
| Income for Agency Services | 689,431 | | 642,332 | | 47,099 | | 7.33 | |
| Governments Grants & Subsidies | 324,440,359 | | 245,272,506 | | 79,167,853 | | 32.28 | |
| Public Contributions & Donations | 0 | | 0 | | 0 | | 0.00 | |
| Other Income | 364,236,908 | | 445,906,891 | | (81,669,983) | | (18.32) | |
| Total Revenue | 2,107,436,579 | | 2,107,742,624 | | (306,045) | | | |



| Appendix - E | | | | | | |
|---|----------------------|----------------------|-------------------|---------------|---|--|
| The Msunduzi Municipality: Actual versus Budget (Revenue and Expenditure) for the year ended 30 JUNE 2009 | | | | | | |
| | Actual 2009 | Budget 2009 | Variance 2009 | Variance 2009 | Explanation of Significant variances greater than 10% versus Budget | |
| Description | R | R | R | % | | |
| <u>Expenditure</u> | | | | | | |
| Executive & Council | 71,894,906 | 68,560,441 | (3,334,465) | (4.86) | | |
| Budget & Treasury Office | 273,873,012 | 259,807,722 | (14,065,290) | (5.41) | | |
| Corporate Services | 80,943,578 | 78,838,252 | (2,105,326) | (2.67) | | |
| Planning & Development | 60,181,338 | 66,398,437 | 6,217,099 | 9.36 | | |
| Health | 39,159,997 | 36,832,453 | (2,327,544) | (6.32) | | |
| Community & Social Services | 41,753,179 | 37,344,893 | (4,408,286) | (11.80) | | |
| Housing | 53,209,000 | 52,426,751 | (782,249) | (1.49) | | |
| Public Safety | 110,350,124 | 97,811,854 | (12,538,270) | (12.82) | | |
| Sport and Recreation | 54,391,961 | 50,975,156 | (3,416,805) | (6.70) | | |
| Environmental Protection | 60,754,636 | 49,553,738 | (11,200,898) | (22.60) | | |
| Waste Management | 176,452,596 | 152,734,439 | (23,718,157) | (15.53) | | |
| Waste Water Management | 33,467,476 | 32,999,399 | (468,077) | (1.42) | | |
| Road Transport | 157,795,952 | 159,037,171 | 1,241,219 | 0.78 | | |
| Water | 230,456,909 | 219,573,989 | (10,882,920) | (4.96) | | |
| Electricity | 662,243,682 | 757,227,294 | 94,983,612 | 12.54 | | |
| Other/Air Transport | 7,459,879 | 7,101,976 | (357,903) | (5.04) | | |
| Other/Forestry | 8,854,197 | 9,386,147 | 531,950 | 5.67 | | |
| Other/Markets | 11,983,079 | 12,522,071 | 538,992 | 4.30 | | |
| Other/Licensing & Regulation | 2,755,502 | 2,202,735 | (552,767) | (25.09) | | |
| Less: Inter-Dept Charges | (51,887,001) | (54,197,153) | (2,310,153) | 4.26 | | |
| Total Expenditure | 2,086,094,002 | 2,097,137,765 | 11,043,763 | | | |
| <u>Operating Surplus/(Deficit)</u> | 21,342,577 | 10,604,859 | 10,737,718 | | | |



THE MSUNDUZI MUNICIPALITY
APPENDIX F

ACTUAL VERSUS BUDGET (ACQUISITION OF PROPERTY, PLANT AND EQUIPMENT) FOR THE YEAR ENDED 30 JUNE 2009

| Description | 2008 Actual | | 2008 Under Construction | | 2008 Total Additions | | 2008 Budget | | 2008 Variance | | Explanation of Significant Variances greater than 5% versus Budget |
|-------------------------------|-------------|--|-------------------------|--|----------------------|--|-------------|--|---------------|-----------|--|
| | R | | R | | R | | R | | R | % | |
| Executive and Council | 0 | | | | | | 1,606,139 | | 1,606,139 | 100.00% | |
| Finance and Administration | 3,344,263 | | | | 3,344,263 | | 23,818,458 | | 20,474,195 | 85.96% | |
| Planning and Development | 0 | | | | | | 25,208,045 | | 25,208,045 | 100.00% | |
| Public Safety | 4,186,464 | | 2,016,500 | | 2,169,964 | | 5,207,253 | | 1,020,789 | 19.60% | |
| Community and Social Services | 12,050,756 | | 3,545,380 | | 8,505,376 | | 13,565,158 | | 1,514,402 | 11.16% | |
| Health | 169,606 | | | | 169,606 | | 0 | | (169,606) | 0.00% | |
| Sport and Recreation | 2,389,527 | | | | 2,389,527 | | 4,312,606 | | 1,923,079 | 44.59% | |
| Road Transport | 119,671,175 | | 92,901,994 | | 26,769,181 | | 133,999,576 | | 14,328,401 | 10.69% | |
| Environment Protection | 0 | | 0 | | 0 | | 0 | | 0 | 0.00% | |
| Water | 15,234,859 | | 13,754,222 | | 1,480,637 | | 16,313,215 | | 1,078,356 | 6.61% | |
| Waste Water Management | 66,097,453 | | 65,936,389 | | 161,064 | | 67,919,443 | | 1,821,990 | 2.68% | |
| Electricity | 27,496,666 | | 25,381,915 | | 2,114,751 | | 30,772,021 | | 3,275,355 | 10.64% | |
| Housing | 0 | | | | | | 8,456,265 | | 8,456,265 | 100.00% | |
| Other | 47,452,370 | | 30,862,791 | | 16,589,579 | | 3,309,000 | | (44,143,370) | -1334.04% | |
| TOTALS | 298,093,139 | | 234,399,191 | | 63,693,948 | | 334,487,179 | | 36,394,040 | 10.88% | |



THE MSUNDUZI MUNICIPALITY
APPENDIX G
DETAILS OF CONDITIONAL GRANTS AND RECEIPTS AS AT 30 JUNE 2009

| Account No: | Account Description | Unspent Balance @ 1 July 2008 | Transfers | Current Year Receipts | Unspent balance @ 30 June 2009 | Grant Type | Source Code |
|---------------|---|-------------------------------|--------------------|-----------------------|--------------------------------|------------|------------------------------------|
| PMB0108960001 | GRANT COMMUNITY DEVELOPMENT WORKERS | (103,608) | 95,789 | - | (7,818) | COMM | UNSPENT CG - NATIONAL GOVERNMENT |
| PMB0108960002 | NATIONAL GRANT - MSIG | - | 400,000 | (400,000) | 0 | MSIG | UNSPENT CG - NATIONAL GOVERNMENT |
| PMB0118960002 | GRANT DPLG AMENDMENT IDP | (50,000) | - | - | (50,000) | IDP | UNSPENT CG - NATIONAL GOVERNMENT |
| PMB0358980801 | GRANT - FMG | (1,292,274) | 1,768,127 | (500,000) | (24,147) | FMG | UNSPENT CG - NATIONAL GOVERNMENT |
| PMB0358980803 | GRANT - UNSPENT CONDITIONAL GRANT - RSG | (4,508,206) | 4,508,206 | - | 0 | RSG | UNSPENT CG - NATIONAL GOVERNMENT |
| PMB0358980804 | RSG - INVESTMENT ACCOUNT - INTEREST REC. | - | 303,597 | (303,597) | 0 | RSG | UNSPENT CG - NATIONAL GOVERNMENT |
| PMB0608850363 | DEBTOR - MIG | - | 20,804 | (20,804) | 0 | MIG | UNSPENT CG - NATIONAL GOVERNMENT |
| PMB0608960012 | UNSPENT CONDITIONAL GRANT - MIG | (20,948,988) | 76,116,178 | (57,085,000) | (1,917,810) | MIG | UNSPENT CG - NATIONAL GOVERNMENT |
| PMB5118960018 | UNSPENT CONDITIONAL GRANT - EDN CORRIDOR | (1,497) | 1,497 | - | 0 | EDN | UNSPENT CG - NATIONAL GOVERNMENT |
| PMB5308960001 | SETA DISCRETIONARY GRANT | (14,831) | 14,876 | (45) | 0 | SETA | UNSPENT CG - NATIONAL GOVERNMENT |
| PMB5308960003 | UNSPENT COND.GRANT - HRD/LGSETA | (66,000) | 66,000 | - | 0 | SETA | UNSPENT CG - NATIONAL GOVERNMENT |
| PMB5488980001 | DEVELOPMENT CAPACITY BUILDING PROJECT | (78,076) | 78,076 | - | 0 | CAPAC | UNSPENT CG - NATIONAL GOVERNMENT |
| PMB5608960001 | STORM DAMAGE - DOH FUNDING | (915,846) | - | - | (915,846) | STORM | UNSPENT CG - NATIONAL GOVERNMENT |
| PMB5608960010 | UNSPENT CONDITIONAL GRANT - PHB | (69,219,675) | 30,506,950 | (15,243,091) | (53,955,816) | PHB | UNSPENT CG - NATIONAL GOVERNMENT |
| PMB7138960015 | UNSPENT CONDITIONAL GRANT - DEPT OF MINERALS | (4,303,186) | 3,835,050 | - | (468,136) | NER | UNSPENT CG - NATIONAL GOVERNMENT |
| PMB7878960001 | EDN S - UPGRADE WATER SUPPLY | (905,263) | 414,500 | - | (490,763) | DWAF | UNSPENT CG - NATIONAL GOVERNMENT |
| | | (102,407,450) | 118,129,651 | (73,552,537) | (57,830,336) | | |
| PMB0138960002 | PG-COMMUNITY COMMUNICATION INITIATIVE | (50,000) | - | - | (50,000) | COMM | UNSPENT CG - PROVINCIAL GOVERNMENT |
| PMB0608960013 | UNSPENT CONDITIONAL GRANT - PROVINCE | (294,620) | 169,267 | (234,813) | (360,166) | PROV | UNSPENT CG - PROVINCIAL GOVERNMENT |
| PMB1008960002 | PG - TECHNICAL SUPPORT | (494,290) | 494,290 | - | 0 | PROV | UNSPENT CG - PROVINCIAL GOVERNMENT |
| PMB1318960001 | PROVINCE - TRANSPORT GRANT | (2,453,634) | 1,037,249 | (8,130,100) | (9,546,486) | TRANS | UNSPENT CG - PROVINCIAL GOVERNMENT |
| PMB2858960004 | PROV - URBAN RENEWAL PROJECT | (3,119,349) | 889,793 | (454,232) | (2,683,789) | GEDI | UNSPENT CG - PROVINCIAL GOVERNMENT |
| PMB3458970006 | FOOD AID PROGRAMME | (70,105) | - | - | (70,105) | FOOD | UNSPENT CG - PROVINCIAL GOVERNMENT |
| PMB3478970001 | ENVIRONMENTAL HEALTH | (1,823) | 1,823 | - | 0 | HEALTH | UNSPENT CG - PROVINCIAL GOVERNMENT |
| PMB3578970025 | WORLD AIDS DAY | 32,955 | - | (32,955) | 0 | AIDS | UNSPENT CG - PROVINCIAL GOVERNMENT |
| PMB4008960002 | ENVIRO MGT FRAMEWORK - DPLGTA GRANT | (175,439) | 175,439 | - | 0 | ENVIRO | UNSPENT CG - PROVINCIAL GOVERNMENT |
| PMB5138960001 | UNSPENT GRANT - LIBRARY SERVICES | (65,000) | 53,557 | - | (11,443) | LIBR | UNSPENT CG - PROVINCIAL GOVERNMENT |
| PMB5278980001 | I.D.P. FUND FROM DEPT. OF LG&H | (679,259) | - | - | (679,259) | IDP | UNSPENT CG - PROVINCIAL GOVERNMENT |
| PMB7018960001 | PG - INTERGRATION WITH REDS | (143,952) | 143,952 | - | 0 | ELECT | UNSPENT CG - PROVINCIAL GOVERNMENT |
| PMB7878980801 | GRANT - WATER SERVICE DELIVERY PLANNING | (158,923) | 15,033 | - | (143,890) | WATER | UNSPENT CG - PROVINCIAL GOVERNMENT |
| | | (7,673,439) | 2,980,401 | (8,852,099) | (13,545,137) | | |
| PMB0608960014 | UNSPENT CONDITIONAL GRANTS : LIBRARY EXTERNAL | (8,988,487) | 10,052,861 | (6,740,273) | (5,675,900) | LIBR | UNSPENT CG - OTHER |
| PMB1258960001 | UNSPENT GRANT - DEVELOPER CONTRIBUTION | - | - | (1,004,035) | (1,004,035) | DEVELOPERS | UNSPENT CG - OTHER |
| PMB2028960002 | RETENTION - MIG - VULINDELA VIP CONSTR. | (32,811) | - | - | (32,811) | MIG | UNSPENT CG - OTHER |
| PMB2858960001 | GEDI - GUJIMA FUNDS | (28,608) | 8,278 | (4,431) | (24,761) | GEDI | UNSPENT CG - OTHER |



THE MSUNDUZI MUNICIPALITY

APPENDIX G

DETAILS OF CONDITIONAL GRANTS AND RECEIPTS AS AT 30 JUNE 2009

| Account No: | Account Description | Unspent Balance @ 1 July 2008 | Transfers | Current Year Receipts | Unspent balance @ 30 June 2009 | Grant Type | Source Code |
|---------------|---|-------------------------------|--------------------|-----------------------|--------------------------------|------------|--------------------|
| PMB2858960002 | E/DALE LAND LEGAL | (384,622) | 67,654 | (24,684) | (341,651) | HOUSING | UNSPENT CG - OTHER |
| PMB2858960003 | E/DALE PVT LAND LEGAL | (20,956,596) | 3,674,449 | (1,341,227) | (18,623,373) | HOUSING | UNSPENT CG - OTHER |
| PMB2938960001 | DBSA - STORM REHAB. FUND | (42,333) | 42,333 | - | 0 | STORM | UNSPENT CG - OTHER |
| PMB3588970003 | USAID AIDS EDUCATOR TRAINING | (23,941) | 23,941 | - | 0 | USAID | UNSPENT CG - OTHER |
| PMB5118960002 | UDM - LOCAL TOURISM DEVELOPMENT | - | - | (10,400,000) | (10,400,000) | UDM | UNSPENT CG - OTHER |
| PMB5118960003 | GRANT - WARD 3 5 6 | (40,123) | - | - | (40,123) | WARD | UNSPENT CG - OTHER |
| PMB8328760903 | TRUST - CEMETERY TRUST ACCOUNT | (14,308) | - | (1,148) | (15,457) | TRUST | UNSPENT CG - OTHER |
| PMB8348760907 | TRUST - JOHN HARDY TRUST ACCOUNT | (217) | 217 | - | 0 | TRUST | UNSPENT CG - OTHER |
| PMB8358760909 | TRUST - PATRIOTIC LEAGUE TRUST ACCOUNT | (45,527) | - | (1,563) | (47,090) | TRUST | UNSPENT CG - OTHER |
| PMB8368760911 | TRUST - PEARSE TRUST ACCOUNT | (1,418,685) | 28,017,345 | (28,053,073) | (1,454,413) | TRUST | UNSPENT CG - OTHER |
| PMB8378760913 | TRUST - WELCH TRUST ACCOUNT | (359,759) | - | (11,994) | (371,754) | TRUST | UNSPENT CG - OTHER |
| PMB8388760916 | TRUST - MARIA KINSMAN TRUST ACCOUNT | (591,488) | - | - | (591,488) | TRUST | UNSPENT CG - OTHER |
| PMB8388760920 | TRUST - MARIA KINSMAN TRUST - NET INCOME | (37,768) | - | (17,864) | (55,632) | TRUST | UNSPENT CG - OTHER |
| PMB8398760908 | TRUST - MAYORESS NECESSITY FUND | (76,202) | - | (3,211) | (79,413) | TRUST | UNSPENT CG - OTHER |
| PMB8398760924 | TRUST - MAYORESS CHARITY BALL - CLEARING ACCOUNT | (925) | 925 | - | 0 | TRUST | UNSPENT CG - OTHER |
| PMB8408760915 | TRUST - CEMETERY TRUST ACCOUNT (M/RISE) | (2,293,364) | - | - | (2,293,364) | TRUST | UNSPENT CG - OTHER |
| PMB8408760922 | TRUST - CEMETERY TRUST ACCOUNT (M/RISE) - INTEREST | (284,079) | - | (136,213) | (420,292) | TRUST | UNSPENT CG - OTHER |
| PMB8418760906 | TRUST - FLEMING TRUST ACCOUNT | (73,443) | - | (2,169) | (75,612) | TRUST | UNSPENT CG - OTHER |
| PMB8428010001 | TRUST - CONT IMBALI FLOOD VICTIMS - PMB FLOOD VICTIMS | (60,858) | - | - | (60,858) | TRUST | UNSPENT CG - OTHER |
| PMB8428760842 | TRUST - PMB FLOOD DISASTER | (30,989) | - | - | (30,989) | TRUST | UNSPENT CG - OTHER |
| PMB8438760925 | TRUST - REFUGEES TRUST ACCOUNT | (60,604) | - | - | (60,604) | TRUST | UNSPENT CG - OTHER |
| | | (35,845,735) | 41,888,004 | (47,741,886) | (41,699,618) | | |
| | | (145,926,625) | 162,998,056 | (130,146,523) | (113,075,091) | | |



| THE MSUNDUZI MUNICIPALITY APPENDIX H CONDITIONAL GRANTS AND RECEIPTS AS AT 30 JUNE 2009 | | | | | | | |
|---|----------------------------------|------------------------------|-----------------------|--|--|------------------|-----------------------------------|
| | UNSPENT BALANCE 1-Jul-2008 | CURRENT YEARS RECEIPTS | INTEREST ALLOCATED | TRANSFER TO REVENUE OPERATING EXPENDITURE | TRANSFER TO REVENUE CAPITAL EXPENDITURE | TRANSFERS | UNSPENT BALANCE 30-Jun-2009 |
| NATIONAL GOVERNMENT | | | | | | | |
| Various as per Appendix G1 | - (102,407,450) | - (73,552,537) | - - | - - | - - | - 118,129,651 | - 89,274,738 |
| PROVINCIAL GOVERNMENT | | | | | | | |
| Various as per Appendix G1 | - (7,673,439) | - (8,852,099) | - - | - - | - - | - 2,980,401 | - 4,159,061 |
| | - (110,080,889) | - (82,404,637) | - - | - - | - - | - 121,110,053 | - 93,433,800 |
| OTHER GRANTS | | | | | | | |
| Various as per Appendix G1 | - (35,845,735) | - (47,741,886) | - - | - - | - - | - 41,888,004 | - 53,784,155 |
| | - (145,926,625) | - (130,146,523) | - - | - - | - - | - 162,998,056 | - (113,075,091) |



THE MSUNDUZI MUNICIPALITY
APPENDIX I
DISCLOSURE OF GRANTS AND RECEIPTS AT 30 JUNE 2009

| | EXECUTIVE & COUNCIL | BUDGET & TREASURY OFFICE | DEVELOPMENT SERVICES | CORPORATE SERVICES | COMMUNITY SERVICES | HEALTH | WASTE MANAGEMENT | WATER | ROAD TRANSPORT | HOUSING | AIRPORT | SPORTS & RECREATION | ELECTRICITY | PUBLIC SAFETY | TOTAL |
|--|------------------------|--------------------------------|-------------------------|-----------------------|-----------------------|--------|---------------------|-----------|-------------------|---------|---------|------------------------|-------------|---------------|------------|
| TRANSFER TO REVENUE - CAPITAL EXPENDITURE | | | | | | | | | | | | | | | |
| NATIONAL GOVERNMENT | | | | | | | | | | | | | | | |
| MIG | - | - | - | - | - | - | 24,462,230 | 5,967,035 | 44,776,674 | - | - | - | 147,653 | - | 75,353,592 |
| | - | - | - | - | - | - | - | 5,967,035 | 44,776,674 | - | - | - | - | - | 75,353,592 |
| PROVINCIAL GOVERNMENT | | | | | | | | | | | | | | | |
| Department of Transport | - | - | - | - | - | - | - | - | 805,340 | - | - | - | - | - | 805,340 |
| Department of Traditional and Local Govt | - | - | - | - | 499,913 | - | - | - | - | - | - | - | - | - | 499,913 |
| | - | - | - | - | - | - | - | - | 805,340 | - | - | - | - | - | 1,305,253 |
| TOTAL NATIONAL/PROVINCIAL GOVERNMENT GRANT | - | - | - | - | 499,913 | - | - | 5,967,035 | 45,582,014 | - | - | - | - | - | 76,658,845 |
| DONATIONS AND PUBLIC CONTRIBUTIONS | | | | | | | | | | | | | | | |
| Other | - | - | - | - | 287,680 | - | - | - | - | - | - | - | - | - | 287,680 |
| Msunduzi Library - Carnegie Corporation of New York | - | - | - | - | 8,856,350 | - | - | - | - | - | - | - | - | - | 8,856,350 |
| TOTAL DONATIONS AND PUBLIC CONTRIBUTIONS | - | - | - | - | 9,144,030 | - | - | - | - | - | - | - | - | - | 9,144,030 |
| TOTAL CONDITIONAL GRANTS & RECEIPTS | - | - | - | - | 9,643,943 | - | - | 5,967,035 | 45,582,014 | - | - | - | - | - | 85,802,875 |



The Dynamic, Caring Capital City of Choice in KZN

THE MSUNDUZI MUNICIPALITY APPENDIX I DISCLOSURE OF GRANTS AND RECEIPTS AT 30 JUNE 2009

| | EXECUTIVE & COUNCIL | BUDGET & TREASURY OFFICE | DEVELOPMENT SERVICES | CORPORATE SERVICES | COMMUNITY SERVICES | HEALTH | WASTE MANAGEMENT | WATER | ROAD TRANSPORT | HOUSING | AIRPORT | SPORTS & RECREATION | ELECTRICITY | PUBLIC SAFETY | TOTAL |
|--|------------------------|--------------------------------|-------------------------|-----------------------|-----------------------|------------------|---------------------|----------------|-------------------|-------------------|----------|------------------------|----------------|---------------|-------------------|
| TRANSFER TO REVENUE - OPERATING EXPENDITURE | | | | | | | | | | | | | | | |
| NATIONAL GOVERNMENT | | | | | | | | | | | | | | | |
| Financial Management Grant | - | 1,768,127 | - | - | - | - | - | - | - | - | - | - | - | - | 1,768,127 |
| MIG | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Development Admin Capacity Building | - | - | 78,076 | - | - | - | - | - | - | - | - | - | - | - | 78,076 |
| MSIG/Community Development Workers | 495,789 | - | - | - | - | - | - | - | - | - | - | - | - | - | 495,789 |
| Local Government Housing | - | - | - | - | - | - | - | - | - | 34,022,392 | - | - | - | - | 34,022,392 |
| | 495,789 | 1,768,127 | 78,076 | - | - | - | - | - | - | 34,022,392 | - | - | - | - | 36,364,384 |
| PROVINCIAL GOVERNMENT | | | | | | | | | | | | | | | |
| Facelifting Capital City | - | - | - | - | - | - | 76,051 | - | - | - | - | - | - | - | 76,051 |
| Technical Support | - | - | 249,291 | - | - | - | - | - | - | - | - | - | - | - | 249,291 |
| Land Use Management | - | - | 104,797 | - | - | - | - | - | - | - | - | - | - | - | 104,797 |
| Integration with REDS | - | - | - | - | - | - | - | - | - | - | - | - | 143,952 | - | 143,952 |
| Health subsidies | - | - | - | - | - | 8,085,000 | - | - | - | - | - | 62,972 | - | - | 8,147,972 |
| Department of Transport | - | - | - | - | - | - | - | - | 231,808 | - | - | - | - | - | 231,808 |
| Environmental Management Framework | - | - | - | - | - | - | - | - | - | - | - | 175,439 | - | - | 175,439 |
| Water service delivery | - | - | - | - | - | - | - | 15,033 | - | - | - | - | - | - | 15,033 |
| DWA/ Funded projects | - | - | - | - | - | - | - | 99,798 | - | - | - | - | - | - | 99,798 |
| | - | - | 354,088 | - | - | 8,085,000 | - | 114,831 | 231,808 | - | - | 238,411 | 143,952 | - | 9,244,141 |
| TOTAL NATIONAL/PROVINCIAL GOVERNMENT GRANT | 495,789 | 1,768,127 | 432,164 | - | - | 8,085,000 | - | 114,831 | 231,808 | 34,022,392 | - | 238,411 | 143,952 | - | 45,608,525 |
| DONATIONS AND PUBLIC CONTRIBUTIONS | | | | | | | | | | | | | | | |
| Greater Edendale Land Initiative and Land Legal | - | - | - | - | 4,231,118 | - | - | - | - | - | - | - | - | - | 4,231,118 |
| Msunduzi Library - Carnegie Corporation of New York | - | - | - | - | 1,435,174 | - | - | - | - | - | - | - | - | - | 1,435,174 |
| Other | - | - | - | - | - | 23,880 | 197,586 | - | - | - | - | - | - | - | 221,466 |
| Airport | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Storm Damage | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| MEP | - | - | - | - | - | - | - | - | - | - | - | - | - | 42,333 | 42,333 |
| TOTAL DONATIONS AND PUBLIC CONTRIBUTIONS | - | - | - | - | 5,666,292 | 23,880 | 197,586 | - | - | - | - | - | - | 42,333 | 5,930,091 |
| TOTAL CONDITIONAL GRANTS & RECEIPTS | 495,789 | 1,768,127 | 432,164 | - | 5,666,292 | 8,108,880 | 197,586 | 114,831 | 231,808 | 34,022,392 | - | 238,411 | 143,952 | 42,333 | 51,538,616 |



SAFE CITY PIETERMARITZBURG – ANNUAL FINANCIAL STATEMENTS 30 JUNE 2009

(Association incorporated under Section 21) (Registration Number: 2002/007386/08)

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| Annexures to chairmans's report | |

APPROVAL OF THE ANNUAL FINANCIAL STATEMENTS

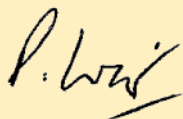
The annual financial statements and other financial information set out in this annual report were prepared by the directors in conformity with International Financial Reporting Standards applied on a consistent basis.

The manager of presentation of the annual financial statements, the selection of accounting policies and the integrity of the financial information are the responsibility of the directors.

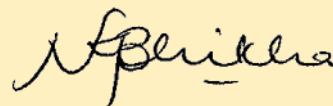
The directors are also responsible for the systems of internal control. There are designed to provide reasonable but not absolute, assurance as to the reliability of the financial statements, and to adequately safeguard, verify and maintain accountability of assets, and to prevent and detect material misstatement and loss. The systems are implemented and monitored by suitably trained personnel with an appropriate segregation of authority and duties. Nothing has come to the attention of the directors to indicate that any material breakdown in the functioning of those controls, procedures and systems has occurred during the year under review.

The annual financial statements are prepared on a going concern basis. Nothing has come to the attention of the directors to indicate that the association will not remain a going concern for the foreseeable future.

The annual financial statements set out on pages 4 to 15 and the supplementary schedules on pages 16 to 17 were approved by the Board of Directors on 21 July 2009 and are signed on it's behalf by:-



DIRECTOR – P WARMINGTON



CHIEF EXECUTIVE OFFICER – N K BHIKHA



DIRECTOR – W D WINSHIP



The Dynamic, Caring Capital City of Choice in KZN

CHAIRMAN'S REPORT FOR THE YEAR ENDED 30 JUNE 2009

Another successful year of containing crime in the Pietermaritzburg Central District; another year of cooperation with SAPS and the NPA and financial support from the PMB/Msunduzi Municipality as well as from Business, through Business Fighting Crime. As the grandfather and originator of the project, Des Winship, my predecessor and first Chairman said last year, and the years before that "the results reflect the contribution of Safe City's successful operation". This really is a wonderful story and a tribute to his vision.

Our 70 cameras around the City and the monitoring control room manned 24/7 by the staff of IVision (our contracted partners) as well as SAPS is truly impressive. It is something of which the City and all of us should be proud and contribute to making us the City of Choice.

Business Fighting Crime, Pietermaritzburg is administered by the Pietermaritzburg Chamber of Business; both are not-for-profit registered organizations whose Boards of Directors are appointed to provide an honorary service to the community. Both organizations support the Safe City operation in many ways, both financial and advisory; Safe City Board members likewise act in an honorary capacity and have given many hours of service in the cause of reducing the incidence of crime in Pietermaritzburg.

We are, as the Chairman said last year, trying to maintain the latest technology, however this is proving more complex as our operating budget has again been restricted to the budget we were given more than two years ago. It is all very well to grant welcome capital expenditure requests for future development in Edendale or the Harry Gwala stadium (in prospect) or the Freedom Square taxi rank (which have been installed) but the screen coverage and manning of those screens cannot be overlooked. Restricting our monthly "grants" is now beginning to threaten our operating efficiency and as a result we are considering restructuring the operations in order to curtail costs.

However, we are all extremely proud of our viewing successes – of our contribution towards the identification and arrest of suspects; and with our partnership between SAPS and the NPA of an improving conviction rate. We have impressed SAPS nationally with our coverage of major Trials and the City management with our coverage of the Municipal strike which led to the apprehension of some strikers. Our mobile camera has proved extremely useful in some previously "uncovered" areas and for marketing our operation at the Royal Show – so much so that we need to consider further mobile cameras for future high profile events or destinations where SAPS may be experiencing sudden spikes in criminal activities.

We are the first designated Municipal Entity of the Msunduzi Municipality, yet since our designation and our contract with the Municipality was signed we remain extremely concerned about the lack of representation of City Councillors or Senior officials on our Board. Although Mr Kenny Chetty, the Head of Municipal Security was nominated and welcomed to our Board we believe the nomination of at least one Councillor and a senior official from Treasury would improve communications and understanding between Council, the Municipality and our operations.


Another work-in-progress involves once a month meetings between SAPS and the NPA where the progress of our "Screen footage" from the camera room and the corresponding dockets from SARS come together in Court "K" in the Magistrates Court, Business Fighting Crime supplied screens for the Prosecutor and Magistrate (as well as lawyers for the accused) to view footage of suspected criminal incidents; many successful prosecutions have occurred as a result. Our thanks to the Prosecutor and her Supervisor in Court K, as well as the SAPS representatives who have co-operated in this partnership to secure convictions. Our involvement with the NPA has also included participation in training of Prosecutors and encouraging a better understanding of how to utilise the camera footage.



My thanks to all my colleagues on our Board for their support and contributions but especially to my predecessor Des Winship "Oom Des", whose calm and practical background knowledge and advice has been invaluable as well as my compatriot Chairman of Business Fighting Crime, Dem Kambouris, whose support of this initiative and attention to detail has made my job so much easier.

Thank you also to Nutan Bhika the CEO of Safe City, Lucas Holtshausen, Jason Herbert and the staff of IVision, as well as the Project Manager, Pieter van Rensburg and the camera maintenance operator, Provicom and their local maintenance staff member Riaan Holtshausen who have worked so efficiently to keep the "Eye of the Elephant" alert and effective at all times.

Finally I would like to thank all our sponsors and contributors who continued to make this operation a success; besides the Municipality whose support is so essential, I would like to acknowledge Hulett Aluminium, our lawyers Venn Nemeth and Hart, Auditors Deloitte and Touche, the Witness newspaper and all our other sponsors.



P WARMINGTON



Deloitte.

P.O. Box 365
Pietermaritzburg
3200
South Africa

Deloitte & Touche
Registered Auditors
Audit - KZN
Deloitte & Touche House
181 Hoosen Haffjee Street
(formerly Berg Street)
Pietermaritzburg 3201
Docex 14 Pietermaritzburg

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www.deloitte.com

REPORT OF THE INDEPENDENT AUDITORS TO THE MEMBERS OF SAFE CITY PIETERMARITZBURG

Report on the Financial Statements

We have audited the annual financial statements of Safe City Pietermaritzburg which comprise the statement of financial position as at 30 June 2009, the statement of financial performance and cash flow statement for the year then ended, a summary of significant accounting policies and other explanatory notes, as set out on pages 4 to 15.

Directors' Responsibility for the Financial Statements

The company's directors are responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

National Executive: GG Gelink Chief Executive: AE Swiegers Chief Operating Officer: GM Pinnock Audit:
DL Kennedy Tax & Legal and Risk Advisory: I. Geeringh Consulting: I. Barn Corporate Finance: CR. Beukman Finance:
TJ Brown Clients & Markets: NT Mtoba Chairman of the Board: CR Quality Deputy Chairman of the Board:
Regional Leader: GC Brazier

A full list of partners and directors is available on request.

B-BBEE rating: Level 3 contributor/AA (certified by Empowerdex)

Member of Deloitte Touche Tohmatsu



Qualifications

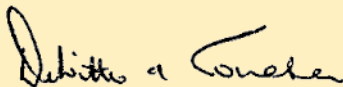
Cash collections and donations

In common with similar organisations, it is not feasible for Safe City Pietermaritzburg to institute accounting controls over cash collections and donations prior to initial entry of the collections in the accounting records. Accordingly, it was impractical for us to extend our examination beyond the receipts actually recorded.

Opinion

In our opinion, except for the effect on the annual financial statements of the matter referred to in the preceding paragraph, the financial statements present fairly, in all material respects, the financial position of the association as of 30 June 2009, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

The detailed statement of financial performance and list of contributors set out on pages 16 and 17 do not form part of the annual financial statements and are presented solely for the information of the members. Accordingly, we do not express an opinion on these schedules.



Deloitte & Touche
Per D McArthur
(Registered Accountant and Auditor)
Partner
Pietermaritzburg

21 July 2009



The Dynamic, Caring Capital City of Choice in KZN

REPORT OF THE DIRECTORS FOR THE YEAR ENDED 30 JUNE 2009

The directors have pleasure in presenting their report for the year ended 30 June 2009.

REVIEW OF THE OPERATIONS FOR THE YEAR

The financial position of the association at 30 June 2009 is set out in the attached annual financial statements. The statement of financial performance reflects an operating surplus for the year of R12 239 (2008: R54 795).

SUBSEQUENT EVENTS

No material fact or circumstances has occurred between the reporting date and the date of this report.

DIRECTORS

The following members acted as directors during the year under review:

P Warmington (Chairman)
W D Winship
V C Biggs
P Henwood (retired in Nov 2008)
M Ghela
R P Stuart
P Maharaj
N K Bhikha (CEO)
J A Vorster
D Sokhela
D Harrison
D Kambouris
I Dugmore

CHAIRMAN

P Warmington (appointed 01/07/2008)

CHIEF EXECUTIVE OFFICER

N K Bhikha

PLACE OF BUSINESS

City Hall
Chief Albert Luthuli Road
PIETERMARITZBURG 3201

NATURE OF BUSINESS

An Association between business, the local authority, the community, government and non-government organisations to proactively combat crime in Pietermaritzburg.



AUDITORS

Deloitte & Touche

BANKERS

First National Bank

ACKNOWLEDGEMENTS

Deloitte & Touche for their engagement in carrying out a partly honorary audit for Safe City.



The Dynamic, Caring Capital City of Choice in KZN

STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2009

| | Note | 2009 R | 2008 R |
|-------------------------------------|------|-----------|-----------|
| Revenue | | 2 642 582 | 2 631 579 |
| Interest received | | 63 460 | 76 556 |
| Total income | | 2 706 042 | 2 708 135 |
| Operating expenses | | 2 693 803 | 2 653 340 |
| Operating surplus for the year | 4 | 12 239 | 54 795 |
| Transfers (to)/from reserves | 5 | (12 239) | (54 795) |
| -Non-distributable reserve -General | | 12 239 | 54 795 |
| SURPLUS for the year | | - | - |

STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2009

| | Note | 2009 R | 2008 R |
|--------------------------------------|------|----------------|------------------|
| ASSETS | | | |
| NON-CURRENT ASSETS | | | |
| Property, plant and equipment | 7 | 51 321 | 70 090 |
| CURRENT ASSETS | | 826 534 | 1 056 074 |
| Accounts receivable | | 27 080 | 4 499 |
| Cash on hand and balances with banks | 8 | 799 454 | 1 051 575 |
| TOTAL ASSETS | | 877 855 | 1 126 164 |
| EQUITY AND LIABILITIES | | | |
| EQUITY RESERVES | | | |
| Non-distributable reserve - general | 5 | 868 423 | 856 184 |
| CURRENT LIABILITIES | | 9 432 | 269 980 |
| Accounts payable | | 9 432 | 269 980 |
| TOTAL EQUITY AND LIABILITIES | | 877 855 | 1 126 164 |



CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE 2009

| | Note | 2009 R | 2008 R |
|--|------|-------------|-------------|
| OPERATING ACTIVITIES | | | |
| Cash receipts from donors | | 2 683 462 | 2 631 579 |
| Cash paid to suppliers and employees | | (2 991 646) | (2 605 794) |
| Cash (utilised in)/generated from operations A | | (308 184) | 25 785 |
| Interest received | | 63 460 | 76 556 |
| Interest paid | | (199) | (485) |
| Net cash (utilised in)/generated from operating activities | | (244 923) | 101 856 |
| INVESTING ACTIVITIES | | | |
| Additions to property, plant and equipment | | (7 198) | (73 382) |
| Net cash flow used in investing activities | | (7 198) | (73 382) |
| NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS | | (252 121) | 28 474 |
| Cash and cash equivalents at beginning of the year | | 1 051 575 | 1 023 101 |
| CASH AND CASH EQUIVALENTS AT END OF THE YEAR B | | 799 454 | 1 051 575 |

NOTES TO THE CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE 2009

| | Note | 2009 R | 2008 R |
|---|------|-----------|-----------|
| A. RECONCILIATION OF OPERATING SURPLUS FOR THE YEAR TO CASH UTILISED IN OPERATIONS | | | |
| Operating surplus for the year | | 12 239 | 54 795 |
| Adjustment for: | | | |
| Interest received | | (63 460) | (76 556) |
| Interest paid | | 199 | 485 |
| Depreciation | | 25 967 | 21 915 |
| Working capital changes | | (25 055) | 639 |
| (increase)/decrease in accounts receivable | | (22 581) | 61 422 |
| Decrease in accounts payable | | (260 548) | (36 276) |
| Cash (utilised in)/generated from operations | | (308 184) | 25 785 |



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B. CASH AND CASH EQUIVALENTS

Cash and cash equivalents consist of cash on hand and balances with banks. Cash and cash equivalents included in the cash flow statement comprise the following balance sheet amounts:

| | | |
|------|---------|-----------|
| Bank | 799 454 | 1 051 575 |
|------|---------|-----------|

NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009

1. BASIS OF PREPARATION

The financial statements have been prepared in accordance with the South African Statements of Generally Accepted Accounting Practice ("GAAP") including any interpretations of such Statements issued by the Accounting Practices Board, with the effective Standards of Generally Recognised Accounting Practice ("GRAP") issued by the Accounting Standards Board replacing the equivalent GAAP Statement as follows:

Standard of GRAP

GRAP 1: Presentation of financial statements
GRAP 2: Cash flow statements
GRAP 3: Accounting policies, changes in accounting estimates and errors

Replaced Statement of GAAP

AC 101: Presentation of financial statements
AC 118: Cash flow statements
AC 103: Accounting policies, changes in accounting estimates and errors

The recognition and measurement principles in the above GRAP and GAAP Statements do not differ or result in material differences in items presented and disclosed in the financial statements. The implementation of GRAP 1, 2 & 3 has resulted in the following changes in the presentation of the financial statements:

A. Terminology differences:

Standard of GRAP

Statement of financial performance
Statement of financial position
Statement of changes in net assets
Net assets
Surplus/deficit for the period
Accumulated surplus/deficit
Contributions from owners
Distributions to owners
Reporting date

Replaced Statement of GAAP

Income statement
Balance sheet
Statement of changes in equity
Equity
Profit/loss for the period
Retained earnings
Share capital
Dividends
Balance sheet date

- B. The cash flow statement can only be prepared in accordance with the direct method.
C. Specific information such as:

- Receivables from non-exchange transactions, including taxes and transfers.
- Taxes and transfers payable.
- Trade and other payables from non-exchange transactions must be presented separately on the statement of financial position.



D. Amount and nature of any restrictions on cash balances is required to be disclosed.

2. Adoption of new and revised International Financial Reporting Standards ("IFRS")

In the current year, the directors have adopted all the new and revised Standards and Interpretations issued by the International Accounting Standards Board (the IASB) and the International Financial Reporting Interpretations Committee (IFRIC) of the IASB that are relevant to its operations and effective for accounting periods beginning on 1 January 2008. The adoption of these new and revised Standards and Interpretations has not resulted in any changes to the association's accounting policies.

The following interpretations issued by the International Financial Reporting Interpretations Committee are effective for the current period.

| Number | Name | Effective for years commencing on or after |
|--------------------|--|---|
| IFRS 7 | Financial Instruments: Disclosures | Effective for annual reporting periods beginning on or after 1 January 2008. |
| IFRIC 7 | Applying the Restatement Approach under IAS 29, Financial Reporting in Hyperinflationary Economies | Effective for annual reporting periods beginning on or after 1 March 2006. |
| IFRIC 8 | Scope of IFRS 2 | Effective for annual reporting periods beginning on or after 1 May 2006. |
| IFRIC 9 | Reassessment of Embedded Derivatives | Effective for annual reporting periods beginning on or after 1 June 2006. |
| IFRIC 10 | Interim Financial Reporting and Impairment | Effective for annual reporting periods beginning on or after 1 November 2006. |
| IFRIC 11 IFRS 2 | Group and Treasury Share Transactions | Effective for annual periods beginning on or after 1 March 2008. |
| IFRIC 12 | Service Concession Arrangements | Effective for annual periods beginning on or after 1 January 2008. |
| IFRIC 13 | Customer Loyalty Programmes | Effective for annual periods beginning on or after 1 July 2008. |
| IFRIC 14/IAS 19 | The limit on Defined Benefit Assets Minimum Funding Requirements | Effective for annual periods beginning on or after 1 January 2008. |

The adoption of these interpretations has not led to any changes in the association's accounting policies.



The Dynamic, Caring Capital City of Choice in KZN

At the date of authorisation of these financial statements, the following standards and interpretations were in issue but not yet effective:

| Number | Name | Effective for years commencing on or after |
|----------|--|---|
| IFRIC 16 | Hedges of a Net Investment in a Foreign Operation | Effective for annual accounting periods beginning on or after 1 October 2008. |
| IFRS 8 | Operating Segments | Effective for annual periods beginning on or after 1 January 2009. |
| IAS 23 | (Revised) Borrowing costs | Effective for annual periods beginning on or after 1 January 2009 |
| IFRIC 15 | Agreements for the construction of real estate | Effective for annual periods beginning on or after 1 January 2009. |
| IFRS 2 | (Revised) Share-based payment | Effective for annual periods beginning on or after 1 January 2009 |
| IFRS 3 | (Revised) Business combinations | Effective for annual periods beginning on or after 1 July 2009 |
| IAS 1 | (Revised) Presentation of financial statements | Effective for annual periods beginning on or after 1 January 2009 |
| IAS 27 | (Revised) Consolidated and separate financial statements | Effective for annual periods beginning on or after 1 July 2009 |
| IAS 28 | (Revised) Investment in associate | Effective for annual periods beginning on or after 1 July 2009 |
| IAS 31 | (Revised) Interest in joint ventures | Effective for annual periods beginning on or after 1 July 2009 |
| IAS 32 | (Revised) Financial instruments | Effective for annual periods beginning on or after 1 January 2009 |

The directors anticipate that the adoption of these Standards and Interpretations in future periods will have no material financial impact on the financial statements of the organisation.



3. SIGNIFICANT ACCOUNTING POLICIES

3.1 Revenue

Revenue comprises cash contributions from the Msunduzi Municipality and does not include contributions in specie.

3.2 Interest

Interest income is accrued on a time basis, by reference to the principal outstanding and at the interest rate applicable.

3.3 Property, plant and equipment

Property, plant and equipment are depreciated over their estimated useful life to an estimated residual value. Years

| | |
|----------------------|---|
| Furniture & fittings | 5 |
| Computer equipment | 3 |
| Other | 5 |

4. OPERATING SURPLUS FOR THE YEAR

| | 2009 R | 2008 R |
|--|-----------|-----------|
| Operating surplus for the year year is stated after: | | |
| Audit fees | | |
| - current year | 10 250 | 902 |
| Depreciation | 25 967 | 21 915 |
| Administration salaries | 2 222 795 | 2 152 294 |
| Interest paid | 199 | 485 |



The Dynamic, Caring Capital City of Choice in KZN

5. NON-DISTRIBUTABLE RESERVE -GENERAL

| | 2009 R | 2008 R |
|--|----------------|----------------|
| The Association is registered under Section 21 of the Companies Act, 1973, as an incorporated association not for gain and, as such, no part of its income and property shall be transferred to members, directly or indirectly. All reserves of the Association are therefore non-distributable and may only be utilised towards the cost of projects and initiatives and meeting any shortfall in expenditure. | | |
| Balance at beginning of the year | 856 184 | 801 388 |
| Operating surplus for the year | 12 239 | 54 796 |
| Balance at end of the year | <u>868 423</u> | <u>856 184</u> |
| Administration salaries | 2 222 795 | 2 152 294 |
| Interest paid | 199 | 485 |

6. TAXATION

No provision for taxation is necessary, as the income of the Association is exempt in terms of section 10(1)(cB) of the Income Tax Act, 1962, as amended.

7. PROPERTY, PLANT AND EQUIPMENT

| | | |
|------------------------|---------------|---------------|
| Furniture and fittings | 39 761 | 52 684 |
| Computer equipment | 10 412 | 14 858 |
| Office equipment | 1 148 | 2 548 |
| | <u>51 321</u> | <u>70 090</u> |

Reconciliation of net book value at beginning of the year to net book value at end of the year.

| | Net Book value at beginning of year R | Additions R | Disposals R | Depreciation R | Net Book value at end of year R |
|------------------------|---|----------------|----------------|-------------------|---|
| Furniture and fittings | 52 684 | - | - | (12 923) | 39 761 |
| Computer equipment | 14 858 | 7 198 | - | (11 644) | 10 412 |
| Office equipment | 2 548 | - | - | (1 400) | 1 148 |
| Total - 2009 | <u>70 090</u> | <u>7 198</u> | <u>-</u> | <u>(25 967)</u> | <u>51 321</u> |
| Total - 2008 | <u>18 623</u> | <u>73 382</u> | <u>-</u> | <u>(21 915)</u> | <u>70 090</u> |



8. CASH ON HAND AND BALANCES WITH BANKS

| | 2009 R | 2008 R |
|---------|-----------|-----------|
| Balance | 799 454 | 1 051 575 |

It is the intention of the board that the surplus funds be utilised to improve operational efficiency in the foreseeable future.

9. RELATED PARTY TRANSACTIONS

Business Fighting Crime is a related party of Safe City and transactions conducted between these parties are at arms length.

STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2009

| | 2009 R | 2008 R |
|----------------------------------|-------------|-------------|
| REVENUE | | |
| Interest received | 63 460 | 76 556 |
| TOTAL INCOME | 63 460 | 76 556 |
| Less: ADMINISTRATION EXPENDITURE | (2 693 803) | (2 653 340) |
| Accounting fees | 16 989 | 10 683 |
| Administration salaries | 289 997 | 366 148 |
| Advertising and promotions | 6 166 | 6 004 |
| Assets written off | 2 671 | 6 185 |
| Audit fees | | |
| -current | 10 250 | 902 |
| -overprovision | - | - |
| -Bank charges | 4 984 | 3 413 |
| Cleaning | 7 215 | 8 055 |
| Computer expenses | 16 206 | 43 670 |
| Contractor staff costs | 1 932 799 | 1 786 146 |
| Courier and postage | 133 | 312 |
| Depreciation | 25 967 | 21 915 |
| Electricity and water | 16 191 | 13 422 |
| Entertainment expenses | 2 098 | 1 545 |
| General expenses | 3 670 | 2 105 |
| Interest paid | 199 | 485 |
| Legal fees | 3 614 | - |
| Motor vehicle expenses | 192 | 589 |



The Dynamic, Caring Capital City of Choice in KZN

| | | |
|--|-------------|-------------|
| Printing and stationery | 25 338 | 45 915 |
| Repairs and maintenance | 554 088 | 297 063 |
| Staff welfare | 906 | 1 800 |
| Subscriptions | (3 017) | - |
| Telephone and fax | 30 916 | 36 913 |
| Travel and accommodation | - | 70 |
| Write-back of VAT provision | (253 769) | - |
| OPERATING DEFICIT after administration expenditure | (2 630 343) | (2 576 783) |
| CONTRIBUTIONS received | 2 642 582 | 2 631 579 |
| OPERATING SURPLUS FOR THE YEAR | 12 239 | 54 796 |
| <u>Administration expenditure</u> | % | % |
| Personnel costs | 83 | 81 |
| Repairs and maintenance | 21 | 11 |
| Other | (4) | 8 |
| | 100 | 100 |

LIST OF CONTRIBUTORS FOR THE YEAR ENDED 30 JUNE 2009

| | 2009 R | 2008 R |
|--|-----------|-----------|
| Msunduzi Municipality (inclusive of VAT) | 3 000 000 | 3 000 000 |

Contributions by business are referred to in the Chairman's report.

REPORT SUBMITTED BY CEO – CONTROL CENTRE KEY PERFORMANCE INDICATORS (KPI)

The success of the Safe City Project is dependant on many factors but the performance of the Control Centre on a 24hours / 7days surveillance operation is a vital component. The operation, which is ISO 9001:2008 certified and SABS approved comprises the following features:

The crime statistics for Pietermaritzburg are submitted to the control room every morning by the SAPS which are then compared with our statistics and thereafter plotted on street maps. The purpose of plotting crime is to enable operators to be more crime prevention orientated. Every suspicious incident noted on camera is regarded as an "Incident detected". The police officer (present in the control room 24/7) will determine whether a SAPS vehicle needs to be despatched to the scene of the incident. The yearly target for SAPS dispatches is 90% of Incidents Detected. A record is maintained of vehicle despatches as compared with Incidents detected. An arrest is made when the suspect is apprehended. Frequently the progress of a crime is fully observed and followed via the camera network. We have a recording capacity of 21 days after which footage is automatically re written.



Table 1 shows the annual statistics of the Control Centre from July 2008 to June 2009. In the summary below we have highlighted the relevant Key Performance Indicators. Every year annual targets is set for the control centre using the achievements of the previous reporting periods per camera as a baseline and then adding a certain percentage for the new year. Individual targets are thereafter set for operators on which they are appraised on quarterly basis. The summary of annual performance against KPI is as follows:

SUMMARY OF KEY PERFORMANCE INDICATORS

See attached graphs: (A, B)

| DESCRIPTION | TOTAL FOR YR | TARGET FOR YR | DIFFERENC E |
|-----------------------------------|--------------|---------------|--------------|
| 1) No of "Incidents Detected" (A) | 2969 | 2370 | 599 (+25%) |
| 2) SAPS dispatch required | 1588 | 2015 | -427 (-21%) |
| 3) Response by SAPS Unit | 1515 | 2015 | -500 (-25%) |
| 4) Arrests Effectuated (B) | 188 | 324 | -154 (-45%) |
| 5) SAPS Response Time | 5.3 | 3.25 | -3.8 (-38%) |
| 6) Camera down time in % | 2.3 | 1 | -1.3 (-130%) |

Of the incidents detected (1), we have found that we have exceeded our target by 599 incidents. This is due to the vigilance of our operators in the detection of suspicious behaviour. Accordingly SAPS dispatches (2) and (3) have also increased. The control room also has direct communication with traffic, ambulance as well as the electricity and water departments so incidents of traffic violation, accidents or damage to Municipal property can be reported as well.

Arrests Effectuated (4) have declined by 154 mostly due to the fact that complainants are not interested in opening cases once their property has been recovered or in the instances where crimes has occurred in the vicinity of a tavern complainants are in most cases under the influence of liquor and therefore not compos mentis to proceed with a criminal proceedings. In table 1 we also highlight 413 incidents where criminal cases could have been opened, but because of the factors mentioned the SAPS had to release the suspect/s. If we add these cases we have exceeded our target for arrests by 259. This is again attributed to the vigilance of the operators.

Although our response time target (5) is 3.25 minutes, we only averaged 5.3 minutes. The average achieved however is across all crime categories A - C where A is serious crimes in progress with a required response time of 5 min, B crimes is serious crimes not in progress, with a response time of 15 min and C crimes is less serious crimes with a required response time of 25 minutes. The latter may not warrant a priority by SAPS as compared with categories A and B.

The camera downtime (6) is slightly over target largely due to delays in sourcing spares. During this financial year we received no capital budget, hence we could not refurbish Phase 1 (15 cameras) that have now been operating for 6 years 24/7. This will be addressed in the new financial year as a capital budget has now been granted.

STATISTICS SHOWING DECREASE IN CRIME IN CBD

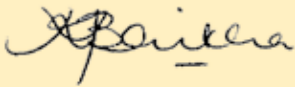
The following statistics reflect the percentage decrease in crime from 2002 (When Safe City commenced operations) to 2008. In view of the fact that crime was increasing by atleast 10% year on year prior to 2002, these are a reflection of the success of the camera network.



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Calendar Year: % DECREASE (-)

| Type of Crime | 2003 | 2004 | 2005 | 2006 | 2007 | 2008 |
|-----------------------|-------|-------|-------|-------|-------|-------|
| Assault Common | -3.9 | -25.5 | -27.4 | -11.7 | -29.4 | -49 |
| Indecent Assault | -0.1 | -10.6 | -25.4 | -30.1 | -60.6 | -60.4 |
| Attempted Murder | -29.3 | -27.6 | -32.7 | -18.9 | -18.9 | -31 |
| House Robbery | -9.6 | -35.8 | -36.3 | -22.7 | -33.5 | -39.2 |
| Robbery In Transit | -35.7 | -34 | -43 | -13.4 | -48 | -36.8 |
| Robbery Common | -33.3 | 3.7 | -22.2 | -29.6 | -55.5 | -55.5 |
| Total Contact Crimes | -3.7 | -17.1 | -23.1 | 27.3 | -37.3 | -39.2 |
| Total Property Crimes | -20.8 | -34.8 | -41.8 | -34.6 | -46.1 | -50.5 |



CEO: SAFE CITY (PMB)
Ms Nutan Bhikha





TABLE 1 - KEY PERFORMANCE INDICATORS - JULY 2008 TO JUNE 2009

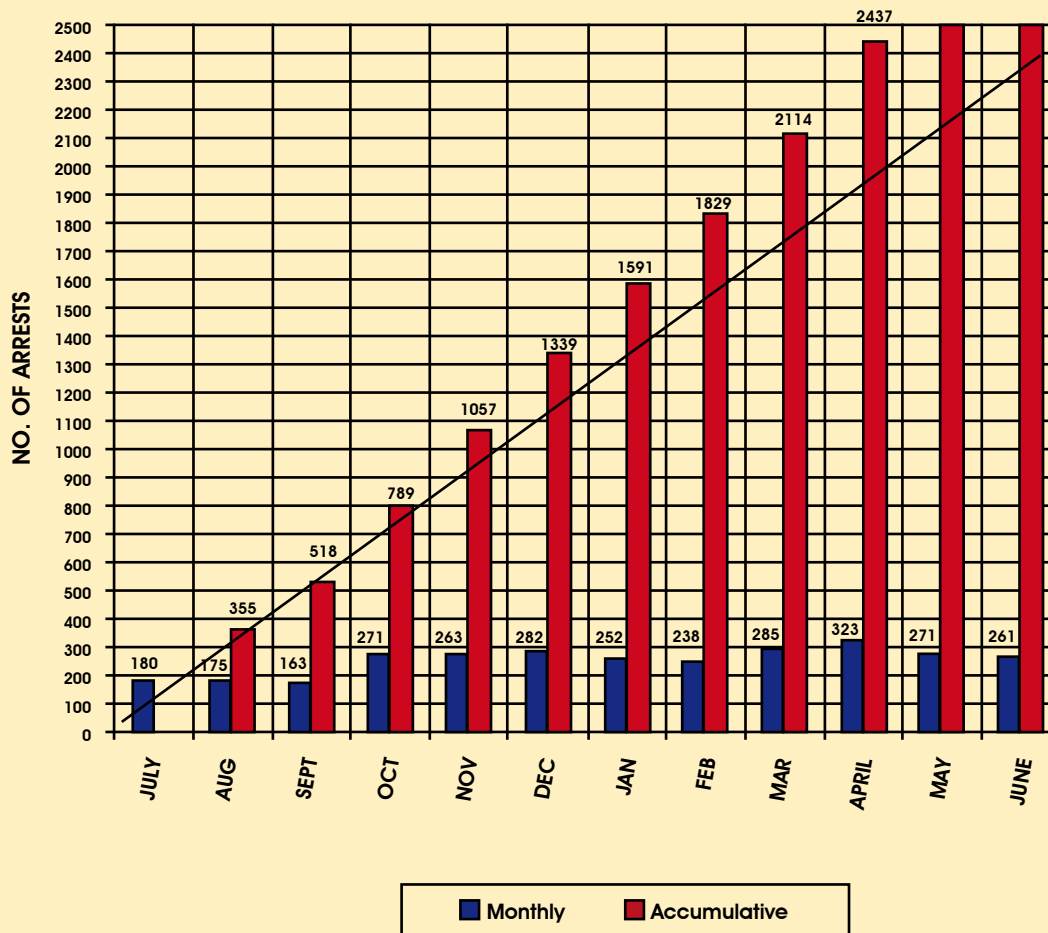
| DESCRIPTION | July | Aug | Sept | Oct | Nov | Dec | Jan | Feb | Mar | Apr | May | June | Total | YEAR TARGET |
|-----------------------------------|------|------|------|------|------|-----|-----|-----|-----|-----|-----|------|-------|-------------|
| Incidents Detected | 180 | 175 | 163 | 271 | 268 | 282 | 252 | 238 | 285 | 323 | 271 | 261 | 2969 | 2370 |
| Dispatch Required | 118 | 137 | 106 | 178 | 151 | 137 | 126 | 108 | 113 | 137 | 142 | 133 | 1588 | 2015 |
| Response by SAPS units | 114 | 124 | 96 | 161 | 147 | 135 | 123 | 107 | 105 | 134 | 139 | 130 | 1515 | 2115 |
| Arrests Effectuated | 12 | 16 | 19 | 26 | 19 | 14 | 27 | 5 | 12 | 10 | 17 | 11 | 188 | 324 |
| Saps Response Time in Mins | 3.87 | 5 | 5.5 | 6.3 | 5.9 | 5.7 | 6.6 | 5.4 | 5.6 | 3.9 | 4.5 | 5.5 | 5.3 | 3.25 |
| Camera down time -% | 1.04 | 0.93 | 0.81 | 0.97 | 0.91 | 0.9 | 1.2 | 3.3 | 2.5 | 3.6 | 6 | 5.5 | 2.3 | 1 |
| Possible Arrests: No cases opened | 33 | 27 | 26 | 43 | 37 | 28 | 23 | 32 | 34 | 32 | 42 | 56 | 413 | |



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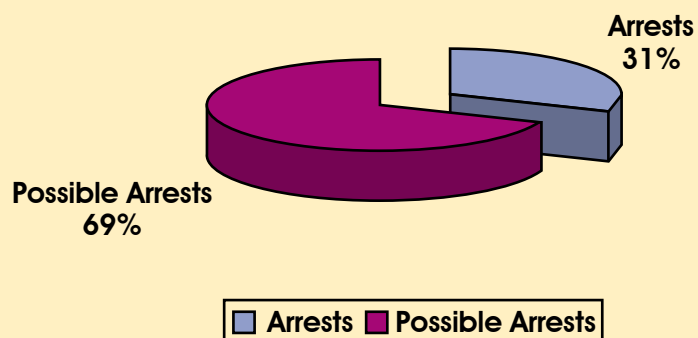
GRAPH A:

CAMERA UNIT - INCIDENTS DETECTION TARGET 2370



GRAPH B:

ARRESTS VS POSSIBLE ARRESTS



3.2 REPORT OF THE AUDITOR-GENERAL TO THE KWAZULU-NATAL PROVINCIAL LEGISLATURE AND THE COUNCIL ON THE GROUP FINANCIAL STATEMENTS AND PERFORMANCE INFORMATION OF MSUNDUZI MUNICIPALITY FOR THE YEAR ENDED 30 JUNE 2009

REPORT ON THE FINANCIAL STATEMENTS

Introduction

1. I have audited the accompanying group financial statements of the Msunduzi Municipality which comprise the consolidated and separate statement of financial position as at 30 June 2009, and the consolidated and separate statement of financial performance, the consolidated and separate statement of changes in net assets and the consolidated and separate cash flow statements for the year then ended, a summary of significant accounting policies and other explanatory notes, as set out on pages 15 to 87.

The accounting officer's responsibility for the financial statements

2. The accounting officer is responsible for the preparation and fair presentation of these financial statements in accordance with the Standards of Generally Recognised Accounting Practice (Standards of GRAP) and in the manner required by the Local Government: Municipal Finance Management Act, 2003 (Act No. 56 of 2003) (MFMA) and for such internal control as the accounting officer determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

The Auditor-General's responsibility

3. As required by section 188 of the Constitution of the Republic of South Africa, 1996 read with section 4 of the Public Audit Act, 2004 (Act No. 25 of 2004) (PAA) and section 126(3) of the MFMA, my responsibility is to express an opinion on these financial statements based on my audit.
4. I conducted my audit in accordance with the International Standards on Auditing read with General Notice 616 of 2008, issued in Government Gazette No. 31057 of 15 May 2008. Those standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.
5. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.
6. Paragraph 11 et seq. of the Standard of GRAP, GRAP 1 Presentation of Financial Statements requires that financial reporting by entities shall provide information on whether resources were obtained and used in accordance with the legally adopted budget. As the budget reporting standard is not effective for this financial year, I have determined that my audit of any disclosures made by the Msunduzi Municipality in this respect will be limited to reporting on non-compliance with this disclosure requirement.
7. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.



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Basis for qualified opinion

Property, plant and equipment

8. As described in note 8 to the financial statements, property, plant and equipment (PPE) was adjusted as a prospective change in accounting policy at a deemed cost of R5,495 billion, which was based on the depreciated replacement cost at 30 June 2009. This accounting treatment is not in accordance with the Standards of GRAP, as the change in accounting policy was not applied retrospectively. The accounting officer believes that it was impracticable to obtain historical information on PPE, which was acquired subsequent to 1 July 2005, thus making it impossible to perform a retrospective restatement on initial adoption of Standards of GRAP. I disagree with the accounting officer that the retrospective application of Standard of GRAP 17 (Property, plant and equipment) could not be applied. Moreover, the useful lives, depreciation methods, residual values and impairment was not assessed at 30 June 2009 to conform with Standard of GRAP 17.

Accordingly, the adjustment to PPE, depreciation, impairment of PPE, accumulated surpluses and accumulated depreciation, as well as the resultant impact on the cash flow statement has not been determined.

Investment property

9. Although vacant land held for undetermined future usage in an amount of R534,167 million was recognised in note 10 to the financial statements for the current year, as investment property, this amount was not adjusted retrospectively, as required by Standard of GRAP 3 (Accounting policies, changes in accounting estimates and errors). Furthermore, buildings, which are potentially investment properties, had not been recognised in the financial statements due to the accounting officer's decision in this regard to record these assets in the 2009/10 financial year. Consequently, it was not feasible to satisfy myself through alternative means as to what adjustments might have been necessary to conclude on the valuation, completeness and accuracy of investment property, depreciation or fair value adjustments that may have been appropriate.

Inventory

10. I was unable to confirm by alternative means the completeness, accuracy and valuation of inventory totalling R28,49 million, which is included in note 3 to the financial statements. This was due to a complete breakdown of internal controls, accountability and accounting records in the stores section. Moreover, inventory held by the store for distribution at no charge was not measured at the lower of the cost or current replacement cost in terms of Standard of GRAP 12 (Inventories), resulting in an unquantifiable misstatement of the carrying value thereof.

Contingent liabilities

11. The accounting officer was unable to provide sufficient appropriate audit evidence to satisfy me on the completeness and valuation of contingent liabilities totalling R17,743 million, as disclosed in note 46 of the financial statements. Accordingly I was unable to perform alternative audit procedures to determine whether any adjustments might have been necessary to the applicable disclosure shown in the financial statements for contingent liabilities.



Revenue

12. The municipality failed to account for revenue in terms of an agreement whereby, a quarry was required to make monthly payments to it for every cubic metre of mineral that was mined. Moreover, the accounting officer was unable to produce any records for this revenue to permit the application of alternative audit procedures, thus I did not obtain sufficient appropriate audit evidence to satisfy myself as to the completeness and accuracy thereof.

Qualified opinion

13. In my opinion, except for the possible effects of the matters described in the Basis for qualified opinion paragraphs, these financial statements present fairly, in all material respects, the consolidated and separate financial position of the Msunduzi Municipality as at 30 June 2009 and its consolidated and separate financial performance and its consolidated and separate cash flows for the year then ended, in accordance with Standards of GRAP and in the manner required by the MFMA.

Emphasis of matters

I draw attention to the following matters on which I do not express a qualified opinion:

Irregular expenditure

14. As disclosed in note 50 to the financial statements, irregular expenditure to the amount of R4,078 million was incurred, as the supply chain management process had not been followed.

Material losses

15. As disclosed in note 53 to the financial statements, water and electricity losses of R60,05 million (6 581 946 Kilolitres) and R32,42 million (160 694 509 Kilowatts) respectively, were incurred during the year.

Restatement of corresponding figures

16. As disclosed in note 55 to the financial statements, the corresponding figures for 30 June 2008 have been restated as a result of errors discovered during 2009 in the financial statements of the Msunduzi Municipality at, and for the year ended, 30 June 2008.

Other matters

I draw attention to the following matters that relate to my responsibilities in the audit of the financial statements:

Unaudited supplementary schedules

17. The municipality provided supplementary information in the Appendix E and F to the financial statements on whether resources were obtained and used in accordance with the legally adopted budget, in accordance with Standards of GRAP 1 Presentation of Financial Statements. The supplementary budget information and other supplementary information set out on pages 88 to 115 does not form part of the financial statements and is presented as additional information. I have not audited these schedules and accordingly, I do not express an opinion thereon.

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Non-compliance with applicable legislation

Basic Conditions of Employment Act

18. Working hours exceeded the prescribed norms, which was not in compliance with section 10(1)(b) of the Basic Conditions of Employment Act, 1997 (Act No. 75 of 1997). In this regard the actual overtime exceeded the budget by R32,401 million.

Municipal Systems Act

19. Thirty-eight councillors had not declared their business interests, as required by the Code of Conduct for Councillors, which is contained in sections 5, 6, 7 and 8 of schedule 1 of the Municipal Systems Act, 2000 (Act No. 32 of 2000) (MSA).

Governance framework

20. The governance principles that impact the auditor's opinion on the financial statements are related to the responsibilities and practices exercised by the accounting officer and executive management and are reflected in the internal control deficiencies and key governance responsibilities addressed below:

Internal control deficiencies

21. Section 62(1)(c)(i) of the MFMA states that the accounting officer must ensure that the municipality has and maintains effective, efficient and transparent systems of financial and risk management and internal control. The table below depicts the root causes that gave rise to the deficiencies in the system of internal control, which led to the qualified opinion. The root causes are categorised according to the five components of an effective system of internal control. (The number listed per component can be followed with the legend below the table.) In some instances deficiencies exist in more than one internal control component.

| Par. No. | Basis for qualified opinion | CE | RA | CA | IC | M |
|----------|---|----|----|----|----|---|
| 8. | Property, plant and equipment not correctly measured and recognised | 1 | | 6 | | |
| 9 | Investment property not accounted for completely and accurately | 1 | | 6 | | |
| 10. | Inventory not complete and correctly valued | 2 | 2 | 6 | | |
| 11. | Contingent liabilities not accurate and complete | | 2 | 6 | | |
| 12. | Revenue not complete and accurate | 5 | | 6 | | |

22. The municipality has regressed from the prior year, in that, various internal control deficiencies were noted during the current year. These deficiencies resulted in numerous correcting adjustments during the audit and indicated that accurate financial reporting of affected transactions, balances and disclosures were not at appropriate levels.



| Legend | |
|---|---|
| CE = Control environment | |
| The organisational structure does not address areas of responsibility and lines of reporting to support effective control over financial reporting. | 1 |
| Management and staff are not assigned appropriate levels of authority and responsibility to facilitate control over financial reporting. | 2 |
| Human resource policies do not facilitate effective recruitment and training, disciplining and supervision of personnel. | 3 |
| Integrity and ethical values have not been developed and are not understood to set the standard for financial reporting. | 4 |
| The accounting officer does not exercise oversight responsibility over financial reporting and internal control. | 5 |
| Management's philosophy and operating style do not promote effective control over financial reporting. | 6 |
| The entity does not have individuals competent in financial reporting and related matters. | 7 |
| RA = Risk assessment | |
| Management has not specified financial reporting objectives to enable the identification of risks to reliable financial reporting. | 1 |
| The entity does not identify risks to the achievement of financial reporting objectives. | 2 |
| The entity does not analyse the likelihood and impact of the risks identified. | 3 |
| The entity does not determine a risk strategy/action plan to manage identified risks. | 4 |
| The potential for material misstatement due to fraud is not considered. | 5 |
| CA = Control activities | |
| There is inadequate segregation of duties to prevent fraudulent data and asset misappropriation. | 1 |
| General information technology controls have not been designed to maintain the integrity of the information system and the security of the data. | 2 |
| Manual or automated controls are not designed to ensure that the transactions have occurred, are authorised, and are completely and accurately processed. | 3 |
| Actions are not taken to address risks to the achievement of financial reporting objectives. | 4 |
| Control activities are not selected and developed to mitigate risks over financial reporting. | 5 |
| Policies and procedures related to financial reporting are not established and communicated. | 6 |
| Realistic targets are not set for financial performance measures, which are in turn not linked to an effective reward system. | 7 |
| IC = Information and communication | |
| Pertinent information is not identified and captured in a form and time frame to support financial reporting. | 1 |
| Information required to implement internal control is not available to personnel to enable internal control responsibilities. | 2 |
| Communications do not enable and support the understanding and execution of internal control processes and responsibilities by personnel. | 3 |
| M = Monitoring | |
| Ongoing monitoring and supervision are not undertaken to enable an assessment of the effectiveness of internal control over financial reporting. | 1 |
| Neither reviews by internal audit or the audit committee nor self -assessments are evident. | 2 |
| Internal control deficiencies are not identified and communicated in a timely manner to allow for corrective action to be taken. | 3 |



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Key governance responsibilities

23. The MFMA tasks the accounting officer with a number of responsibilities concerning financial and risk management and internal control. Fundamental to achieving this is the implementation of key governance responsibilities, which I have assessed as follows:

| No. | Matter | Y | N |
|---|--|--------------------------|--------------------------|
| Clear trail of supporting documentation that is easily available and provided in a timely manner | | | |
| 1. | No significant difficulties were experienced during the audit concerning delays or the availability of requested information. | | <input type="checkbox"/> |
| Quality of financial statements and related management information | | | |
| 2. | The financial statements were not subject to any material amendments resulting from the audit. | | <input type="checkbox"/> |
| 3. | The annual report was submitted for consideration prior to the tabling of the auditor's report. | | <input type="checkbox"/> |
| Timeliness of financial statements and management information | | | |
| 4. | The annual financial statements were submitted for auditing as per the legislated deadlines, as required by section 126 of the MFMA. | <input type="checkbox"/> | |
| Availability of key officials during audit | | | |
| 5. | Key officials were available throughout the audit process. | <input type="checkbox"/> | |
| Development and compliance with risk management, effective internal control and governance practices | | | |
| 6. | Audit committee | | |
| | <ul style="list-style-type: none"> The municipality had an audit committee in operation throughout the financial year. | <input type="checkbox"/> | |
| | <ul style="list-style-type: none"> The audit committee operates in accordance with approved, written terms of reference. | <input type="checkbox"/> | |
| | <ul style="list-style-type: none"> The audit committee substantially fulfilled its responsibilities for the year, as set out in section 166(2) of the MFMA. | <input type="checkbox"/> | |
| 7. | Internal audit | | |
| | <ul style="list-style-type: none"> The municipality had an internal audit function in operation throughout the financial year. | <input type="checkbox"/> | |
| | <ul style="list-style-type: none"> The internal audit function operates in terms of an approved internal audit plan. | <input type="checkbox"/> | |
| | <ul style="list-style-type: none"> The internal audit function substantially fulfilled its responsibilities for the year, as set out in section 165(2) of the MFMA. | <input type="checkbox"/> | |
| 8. | There are no significant deficiencies in the design and implementation of internal control in respect of financial and risk management. | | <input type="checkbox"/> |
| 9. | There are no significant deficiencies in the design and implementation of internal control in respect of compliance with applicable laws and regulations. | | <input type="checkbox"/> |
| 10. | The information systems were appropriate to facilitate the preparation of the financial statements. | | <input type="checkbox"/> |
| 11. | A risk assessment was conducted on a regular basis and a risk management strategy, which includes a fraud prevention plan, is documented and used as set out in section 62(1)(c)(i) of the MFMA. | <input type="checkbox"/> | |
| 12. | Delegations of responsibility are in place, as set out in section 79 of the MFMA. | <input type="checkbox"/> | |



| No. | Matter | Y | n |
|--|--|--------------------------|--------------------------|
| Follow-up of audit findings | | | |
| 13. | The prior year audit findings have been substantially addressed. | <input type="checkbox"/> | |
| 14. | SCOPA/oversight resolutions have been substantially implemented. | <input type="checkbox"/> | |
| Issues relating to the reporting of performance information | | | |
| 15. | The information systems were appropriate to facilitate the preparation of a performance report that is accurate and complete. | | <input type="checkbox"/> |
| 16. | Adequate control processes and procedures are designed and implemented to ensure the accuracy and completeness of reported performance information. | | <input type="checkbox"/> |
| 17. | A strategic plan was prepared and approved for the financial year under review for purposes of monitoring the performance in relation to the budget and delivery by the Msunduzi municipality against its mandate, predetermined objectives, outputs, indicators and targets, as required by section 68 of the MFMA. | <input type="checkbox"/> | |
| 18. | There is a functioning performance management system and performance bonuses are only paid after proper assessment and approval by those charged with governance. | | <input type="checkbox"/> |

24. Although the municipality submitted its financial statements timeously and key officials were available during the audit, leadership, supervision and monitoring was not always evident. This is highlighted by the various control weaknesses that were noted during the audit. Moreover, the financial statements and performance information submitted for auditing were not of the desired quality, thus resulting in numerous correcting adjustments.

Investigations

25. During the year five fraud investigations and disciplinary hearings took place, involving one employee in the electricity section, one in the pay office, one in fleet management, and two in the municipal market section. In all five cases, the employees were found guilty and dismissed and referred to the South African Police Services for possible criminal action.
26. Forensic investigations were undertaken by the National Prosecuting Authority during the 2006/07 financial year and the outcomes have yet to be finalised.
27. The outcome of an investigation commissioned by the MEC for Local Government and Traditional Affairs and tabled at a council meeting on 21 August 2007, has still not been finalised.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

Report on performance information

28. I have reviewed the performance information as set out on pages 153 to 164.

The accounting officer's responsibility for the performance information

29. In terms of section 121(3)(c) of the MFMA, the annual report of a municipality must include the annual performance report of the municipality, prepared by the municipality in terms of section 46 of the Local Government: Municipal Systems Act, 2000 (Act No. 32 of 2000) (MSA).



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The Auditor-General's responsibility

30. I conducted my engagement in accordance with section 13 of the PAA read with General Notice 616 of 2008, issued in Government Gazette No. 31057 of 15 May 2008 and section 45 of the MSA.
31. In terms of the foregoing my engagement included performing procedures of a review nature to obtain sufficient appropriate evidence about the performance information and related systems, processes and procedures. The procedures selected depend on the auditor's judgement.
32. I believe that the evidence I have obtained is sufficient and appropriate to provide a basis for the findings reported below.

Findings on performance information

Non-compliance with regulatory requirements

Content of integrated development plan

33. The Integrated Development Plan (IDP) of the Msunduzi Municipality did not include measurable priorities, objectives and performance targets, as prescribed by section 41(1)(b) of the MSA for main supply upgrading; water equipment; low income and rural housing; restructuring zones, as well as network reinforcement.
34. The municipality's performance management system is not devised in such a way that it serves as an early warning indicator of under performance, as prescribed by section 41(2) of the MSA.
35. The annual budget of the municipality did not have a clear link to the priorities, objectives and performance targets as set out in the IDP, as prescribed by regulation 6 of the Municipal Planning and Performance Management Regulations, 2001.
36. The annual performance report of the municipality did not contain information, as required by section 46(1) of the MSA.

Lack of adoption or implementation of a performance management system

37. The Msunduzi Municipality did not adopt a framework that describes and represents how the municipality's cycle and processes of performance planning, monitoring, measurement, review, reporting and improvement will be conducted, organised and managed, including determining the roles of the different role players, as required in terms of regulations 7 and 8 of the Municipal Planning and Performance Management Regulations, 2001.

No mid-year budget and performance assessments

38. The accounting officer of the Msunduzi Municipality did not by 25 January 2009 assess the performance of the municipality during the first half of the financial year, taking into account the municipality's service delivery performance during the first half of the financial year and the service delivery targets and performance indicators set in the service delivery and budget implementation plan, as required by section 72 and 88 of the MFMA.



Usefulness and reliability of reported performance information

39. The following criteria were used to assess the usefulness and reliability of the information on the municipality's performance with respect to the objectives in its integrated development plan:

- Consistency: Has the municipality reported on its performance with regard to its objectives, indicators and targets in its approved integrated development plan?
- Relevance: Is the performance information as reflected in the indicators and targets clearly linked to the predetermined objectives and mandate. Is this specific and measurable, and is the time period or deadline for delivery specified?
- Reliability: Can the reported performance information be traced back to the source data or documentation and is the reported performance information accurate and complete in relation to the source data or documentation?

The following findings relate to the above criteria:

Reported performance information not reliable

Lack of appropriate information systems generating performance information

40. Sufficient appropriate audit evidence with regard to the reported performance information of the objectives relating to basic water; sanitation; electricity and solid waste removal could not be obtained, as the information system used for generating performance information was not appropriate to facilitate the preparation of accurate and complete actual performance information.

Source information not accurate and complete

41. The source information or evidence provided to support the reported performance information of the objectives relating to basic water; sanitation; electricity and solid waste removal did not adequately support the accuracy and completeness of the facts. In this regard these performance objectives were not supported by documentation evidencing the achievement of targets.

Performance information not received in time

42. The performance information for the group was not submitted in time, which was in contravention of General notice 616 issued in Government Gazette number 31057, dated 15 May 2008.

APPRECIATION

43. The assistance rendered by the staff of the Msunduzi Municipality during the audit is sincerely appreciated.

Auditor-General

Pietermaritzburg
22 December 2009



AUDITOR - GENERAL
SOUTH AFRICA

Auditing to build public confidence



The Dynamic, Caring Capital City of Choice in KZN

3.3 REPORT OF THE AUDIT COMMITTEE

We are pleased to present our report to the financial year ended 30 June 2009.

Audit Committee Members and Attendance:

The audit committee consists of the members listed hereunder and should meet at least four times per annum as per its approved terms of reference. During the financial year 2008/2009 the number of meetings that were held is as follows:-

| Name of Member | Number of Meetings Attended |
|--------------------------------------|-----------------------------|
| (1) M Jordan (Chairperson) | 5 |
| (2) A Myakayaka (Deputy Chairperson) | 4 |
| (3) S Narshai | 6 |
| (4) A Layman | 5 |
| (5) K Kongolo | 5 |
| (6) P Ndwandwe (resigned 02/03/2009) | 2 |

Audit Committee Responsibility

The Audit Committee Responsibility reports that it has complied with its responsibilities arising from section 166(2)(a) of the MFMA.

The Audit Committee also reports that it has adopted appropriate formal terms of reference as its audit committee charter has regulated its affairs in compliance with this charter and has discharged all its responsibilities as contained therein.

The effectiveness of internal control

The system of internal control was not entirely effective for the year under review in line with the MFMA and the King II Report on Corporate Governance requirements, as compliance with prescribed policies and procedures were lacking in certain instances. During the year under review, several instances of non compliance were reported by internal and external auditors that resulted from a breakdown in the functioning of controls. Significant control weaknesses have been reported by the Auditor-General under emphasis of matter and in the management letter. In certain instances, the weaknesses reported previously have not been fully and satisfactorily addressed. The effect of these instances has been included in the annual financial statements and the report of the Accounting Officer.

The quality of in year management and monthly/quarterly reports submitted in terms of the PFMA and the Division of Revenue Act.

The Audit Committee is not satisfied with the content and quality of monthly and quarterly reports prepared by and issued by the Accounting Officer of the municipality during the year under review. In addition the Audit Committee expresses concern and disappointment with having not received some of the reports requested and the non attendance of key officials at times as requested by the committee at its meetings.

The Audit Committee was unable to review any information with regards to performance as this was not submitted to the Committee.



Evaluation of Financial Statements

The 2009/2010 Audit Committee has:

- reviewed and discussed the audited annual financial statements to be included in the annual report, with the Auditor-General and the Accounting Officer.
- reviewed the Auditor-General's report and management's responses thereto;

The Audit Committee concurs and accepts the Auditor-General's conclusions on the annual financial statements, and is of the opinion that the audited annual financial statement be accepted and read together with the report of the Auditor-General. The Audit Committee records that many of the reported deficiencies under the heading of "Emphasis of Matters" are matters that have been discussed by the Audit Committee.



Chairperson of the Audit Committee

Date: 18th January 2010

3.4 THE MSUNDUZI MUNICIPALITY REPORT BY MUNICIPAL MANAGER FOR COUNCIL

6 January 2010

RESPONSE TO THE REPORT OF THE AUDITOR – GENERAL ON THE GROUP FINANCIAL STATEMENTS OF THE MSUNDUZI MUNICIPALITY FOR THE YEAR ENDED 30 JUNE 2009

BACKGROUND AND PURPOSE OF REPORT

The report of the Auditor-General dated 28 November 2008 on the Audit of the Accounts of the Council for the financial year ended 30 June 2009, has been received and is on the Council agenda.

Section 21(1) and (2) of the Public Audit Act, 2004 (Act No. 25 of 2004) states:

- (1) The Auditor-General must submit an audit report in accordance with any legislation applicable to the auditee which is the subject of the audit.
- (2) If there is no such legislation as contemplated in subsection (1) the Auditor-General must submit the audit report to the relevant legislature within a reasonable time.

Also the requirements of the Municipal Finance Management Act 56 of 2003 Section 126 (1) and (2) must be complied with by the Council.

Comments and action on matters raised in the report are set out below with the numbering corresponding to the Auditor-General's report.

GENERAL RESPONSE

This is a most disappointing and unacceptable audit opinion. Disappointing not merely because it represents a retrogression from the unqualified audit of 2007/08, but also because it points to non-compliance, with GRAP, in two main areas: property, plant and equipment; and investment property. We relied on consultants but their response was not accepted by the Auditor General.

What is unacceptable, is the fact that the audit report revealed serious deficiencies in our stores section, as well as uncovering irregular expenditure, and serious internal control deficiencies, which is also manifested in the over expenditure on overtime, and the loss of more than R92 million on electricity and water.

Thirty eight Councillors failed to declare their business interests, and our IDP/Budget alignment and performance management system need concerted and specialised attention.

Our emphasis on annually growing our Capital Budget and achieving full expenditure thereof—surely one of, if not the primary measure of a municipality's performance, from a developmental and maintenance perspective—has been undermined by a deterioration in controls. Paradoxically, therefore, while we have delivered roads, water, sanitation and electricity on an unprecedented scale, we are adjudged to have not performed, on the basis of non-compliance with this and that. Are we not placing too much emphasis on a compliance checklist of efficiency, at the expense of assessing actual and effective delivery and development?



Nonetheless, as the Municipal Manager, I am ultimately accountable for all of these shortcomings—and I accept that accountability. But, I cannot correct all of these shortcomings on my own. Therefore, the following corrective measures have already been put in place:

- i) the establishment of a Controls Transformation Steering Committee (CTSC) the terms of reference and composition are detailed in Annexure A;
- ii) the creation of a new post – Executive Manager: Performance Management;
- iii) the appointment of a Financial Advisor Mr K Nair, to our municipality by National Treasury.

The primary objectives of the Controls Transformation Steering Committee (“CTSC”) are:

- a. Resolve all issues emanating from the audit report and management letter issued by the Auditor-General for the year 2008/09
- b. Resolve all issues arising from and revealed by the Operational risk assessment.
- c. Resolve all issues raised by the reports of the Internal Audit division and Audit Committee.

Given the objectives of the CTSC most of the shortcomings identified will be referred to that committee.

REPORT ON THE FINANCIAL STATEMENTS

1. Introduction
Noted
2. The accounting officer’s responsibility for the financial statements
Noted
3. Responsibility of the Auditor - General
Noted from point 3 to 7

Basis for qualified opinion

8. Property, plant and equipment

General response

The opinion is accepted, and has been referred to the CTSC. For the record, the response of our consultant is reproduced below.

- The assessment of the impracticality of the retrospective application of GRAP 17 does not lie only in the ability to source the cost price information subsequent to 1 July 2005 but rather to the cost information of the assets and (the majority of the assets) that existed prior and on 1 July 2005.
- The impracticality as assessed by the municipality lies in the facts that the acquisition dates of the assets acquired prior to 1 July 2005 was not available and that the maintenance history of the assets was inadequate to estimate the condition in the past. It was further found that significant assumptions would have to be made to formulate a basis of retrospectively applying the current information obtained through physical inspections and current cost information. Management could not reasonably defend such assumptions and concluded that the provision of GRAP 3 with regard to impracticality applies.
- As the acquisition dates were not available and the date of first depreciation was therefore not known a condition based depreciated replacement cost methodology was used.
- The use this methodology as well as the lack of predetermined unit costs for components and suitable indices form the basis of the impracticality



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Considering the assets acquired subsequent to 1 July 2005

- One of the key areas of impact of GRAP 17 is on the business processes to manage capital expenditure. It is necessary to record capital expenditure against the predetermined asset components of the infrastructure assets. As GAMAP provided an initial transitional period of 3 years a full asset catalogue and components of infrastructure assets was not available immediately after 1 July 2005 nor was it expected to be. In fact it was only when a full physical verification process was undertaken that the asset catalogue and components were formulated.
- The result of this was that capital expenditure incurred was still treated in a manner similar to the pre GAMAP/GRAP phase. This means that the expenditure was recorded as a capital project and not linked to detail asset components.
- It should also be noted that the values and remaining useful lives of infrastructure assets is subject to capital maintenance. Capital expenditure is therefore not only new assets that can be separately identified but also capital maintenance that impacts on the condition of current components.
- It is possible to go back 3 years and "unbundle" the capital projects. However, as this would have been a very costly exercise and the fact that it will not be possible to separate the assets/capital maintenance after 1 July 2005 from the asset that existed prior to 1 July 2005 during a physical condition inspection it was deemed fruitless to embark on this "unbundling" exercise. The asset value was therefore determined as at date of inspection as a unit, which includes the expenditure after 1 July.
- It will also be a very difficult and complex process to perform a condition based depreciated replacement cost assessment when expenditure that was incurred on a continuous basis on the assets during the last 3 years need to be stripped out systematically when they were incurred and the impact on the current condition determined.

Review of useful lives, depreciation methods, residual values and impairment

- With the application of a condition based depreciated replacement cost methodology, the remaining useful lives, depreciation methods, residual values and impairment was assessed as it forms an integral part of the calculation of the depreciated replacement cost value.
- In particular the following points should be noted:
- The updated remaining useful lives are recorded in the new asset register for all the infrastructure assets
- In the formulation of the asset catalogues and components the depreciation methods and levels were determined. The financial statement disclosure reflects the new depreciation periods
- The fact that all the assets has been valued at the depreciated replacement cost value and that this value has been reflected as the deemed cost as at 30 June 2009, effectively incorporates any impairment that may exist as at 30 June 2009.

9. Investment property

Although all the buildings were valued and recorded in the asset register it was not possible to recognise specific buildings as investment property. However processes have been put in place to identify all council owned buildings that can be classified as investment property. A proposal call for the appointment of a service provider to update the asset register with the complete records of investment property (land and buildings) was advertised. However the tender has not been awarded as yet. It is envisaged the contract will be awarded by February 2010. The completion period for the contract is six weeks. Buildings recognized as investment property will then be updated in the asset register.

The above response was not accepted by the Auditor General. Therefore, the CTSC will seek clarity, and agreement on exactly what needs to be done, from the Auditor General.



10. Inventory

The statement "complete breakdown of internal controls, accountability and accounting records in the stores section", obliges me to initiate an investigation, and, more importantly, to appoint an experienced and competent senior person as the Stores Manager. New systems and more security have already been introduced.

11. Contingent liabilities

This arose from a discrepancy in the figures submitted to Finance and the Auditor-General by the Legal Division. This will be dealt with by the CTSC.

12. Revenue

The signing of a cession agreement on the 11 June 2008, between Willowfountain Quarry (PTY) LTD as the cedent, WG Wearne as the cessionary and the The Msunduzi Municipality as the lessor, resulted in delays in the royalty payments being paid to the municipality. A meeting was held on the 8th December 2009 with WG Wearne on the issue of outstanding royalty payments. They have advised the municipality that all outstanding royalty amounts due will be paid at the end of January 2010. The amount due is R 370 132.76. The outstanding issue with regards to the rehabilitation of the quarry will be addressed through a joint meeting between legal, real estate and finance sections during January 2010.

13. Qualified opinion

Noted

EMPHASIS OF MATTER

14. Irregular expenditure

The Auditor General identified two main instances of irregular expenditure, and these were referred to Internal Audit. The report on the trip to the U.S.A. by the Mayor, Councillor M.K. Chetty and another person, is attached as Annexure B.

15. Material losses

Despite some success in reducing water losses, the levels are still unacceptable, and were one of the primary reasons for the installation of electronic, or smart, water and electricity meters.

16. Restatement of corresponding figures

Restatements of corresponding figures are in line with the accounting standard:

Generally Recognised Accounting Practice – (GRAP 3) Accounting Policies, Changes in Accounting Estimates and Errors.

GRAP 3 paragraph 41 gives guidance on how to deal with material errors that are not discovered until a subsequent period. These prior period errors are corrected in the comparative information presented in the financial statements for that subsequent period.

OTHER MATTERS

17. Unaudited supplementary schedules

Noted

Non-compliance with applicable legislation

18. Basic Conditions of Employment Act

An investigation into excessive overtime claims has been initiated.

19. Municipal Systems Act

Councillors declaration of Interest

The names of the non-disclosing Councillors have been submitted to the Speaker, as they constitute a breach of the Code of Conduct for Councillors.

20. Governance framework

Noted

21. to 22. Internal control deficiencies

Noted.

23. to 24. Key governance responsibilities

Noted.

25. to 27. Investigations

The charging of certain employees was delayed by the late withdrawal of the Attorney representing the municipality. Another Attorney has been appointed, and hearings will take place in February, 2010.

The further Forensic Investigation—recommended in the original report—was received in December, 2009, and is being evaluated.

REPORT ON ONTHER LEGAL AND REGULATORY REQUIREMENTS

28. Report on performance information

Noted.

29. The accounting officer's responsibility for performance information

Noted.

30. to 32. The Auditor-General's responsibility

Noted.



Findings on performance information

Non-compliance with regulatory requirements

Content of integrated development plan

33. Noted, and will be corrected.

34. Noted, see response to 37-43

35. Given the high rating of our IDP in our province, this is a confusing finding.

36-42. Lack of adoption or implementation of a performance management System

Although we can dispute some of these findings, we take note of and accept them. They point to the clear need to refine and properly present our municipality's annual performance. Hence the appointment of a dedicated Performance Manager at a Senior Level.

43. Appreciation

Noted and reciprocated.

44. Recommendation

It is recommended:

- a) That the report dated 22 December 2009 by the Auditor - General to the members of the Council on the financial statements of The Msunduzi Municipality for the year ended 30th June 2009 be noted.
- b) That the report dated 6 January 2009 by the Municipal Manager, in reply to the Auditor-General's report, be noted.

Submitted for consideration as per Legislation.



**R. F. HASWELL J.P.
MUNICIPAL MANAGER**



CHAPTER FOUR: REPORT ON ANNUAL MUNICIPAL PERFORMANCE

4.1 2009/2010 ANNUAL MUNICIPAL PERFORMANCE REPORT

MUNICIPAL PERFORMANCE REPORTING FRAMEWORK – MSUNDUZI LOCAL/ DISTRICT MUNICIPALITY SECTION 1 – LEGISLATED KEY PERFORMANCE INDICATORS – REGULATION 10, MUNICIPAL PLANNING AND PERFORMANCE REGULATIONS, DATED 21 AUGUST 2001

| NO | STANDARD PROVINCIAL INDICATOR/ MUNICIPAL PERFORMANCE INDICATOR | BACKLOG | PREVIOUS YEAR'S CONCLUDING BASELINE MEASUREMENT (2007/2008) | ANNUAL DEVELOPMENT TARGET FROM THE IDP (2008/2009 IDP TARGET) | CURRENT YEAR'S CONCLUDING BASELINE MEASUREMENT (2008/2009) | 3 YEAR TARGET FROM THE IDP (2011/2012 TARGET) | ACTIONS TO CORRECT UNDER PERFORMANCE/ COMMENTS | SOURCE OF INFORMATION | AUDIT OF INFORMATION | |
|----|--|---------|---|---|--|---|---|---|----------------------|----|
| | | | | | | | | | YES | NO |
| 1 | Number of households with access to basic water | 5304 | 390 | Consumer driven | 1 350 | Consumer driven | This number refers to new connections during the financial year. | Deputy Municipal Manager: Infrastructure Services | | ✓ |
| 2 | Number of households with access to basic sanitation | 37891 | 5 687 | Consumer driven | 15 277 | Consumer driven | This number refers to new connections during the financial year. | Deputy Municipal Manager: Infrastructure Services | | ✓ |
| 3 | Number of households with access to basic electricity | 3000 | 750 | – | 2 465 | Consumer driven | This number refers to new connections during the financial year. | Deputy Municipal Manager: Infrastructure Services | | AA |
| 4 | Number of households with access to basic solid waste removal | 40000 | 1000 | – | 3 910 | 7000 | This number refers to households that were provided with access to basic solid waste removal for the first time during the financial year. during the financial year. | Waste Management Statistics | | ✓ |
| 5 | Number of households with access to Free Basic Water | 5304 | 1372 | – | 38 567 | – | | Deputy Municipal Manager: Infrastructure Services | | ✓ |
| 6 | Number of households with access to Free Basic Sanitation | 37891 | 5687 | – | 46 387 | 23400 | | Deputy Municipal Manager: Infrastructure Services | | ✓ |
| 7 | Number of households with access to Free Basic Electricity | 8000 | 4336 | – | 7 311 | 10000 | | Deputy Municipal Manager: Infrastructure Services | | ✓ |
| 8 | Number of households with access to Free Basic Solid Waste Removal | 40000 | 1000 | – | 6 946 | 7000 | | Waste Management Statistics | | ✓ |



| NO | STANDARD PROVINCIAL/ MUNICIPAL PERFORMANCE INDICATOR | BACKLOG | PREVIOUS YEAR'S CONCLUDING BASELINE MEASUREMENT (2007/2008) | ANNUAL DEVELOPMENT TARGET FROM THE IDP (2008/2009 IDP TARGET) | CURRENT YEAR'S CONCLUDING BASELINE MEASUREMENT (2008/2009) | 3 YEAR TARGET FROM THE IDP (2011/2012 TARGET) | ACTIONS TO CORRECT UNDER PERFORMANCE/ COMMENTS | SOURCE OF INFORMATION | AUDIT OF INFORMATION | |
|----|---|---------|---|---|--|---|--|-------------------------------------|----------------------|-----------------------------------|
| | | | | | | | | | YES | NO |
| 9 | % municipality's capital budget spent on projects identified in the municipality's IDP (refer to KPI 30 below) | N/A | 69.42 69.42 69.42 69.42 | 100 | 80 | 100 100 100 100 | | Manager: Budget | | ✓ |
| 10 | Number of jobs created through municipal LED initiatives (refer to no 8 in Questionnaire) | - | - | - | - | - | - | Development Planning Business Unit | | |
| 11 | Number of people from employment equity target groups employed in the three highest management levels in the municipality (consolidated figure) | | | | 18 | | | Msunduzi Municipality Equity Stats. | | ✓ |
| 12 | Number of women employed in the three highest management levels in the municipality (consolidated figure) | | | | 3 | | | Msunduzi Municipality Equity Stats. | | ✓ |
| 13 | Number of people with disabilities employed in the three highest management levels in the municipality (consolidated figure) | | | | NIL | | | Personnel Planning Officer | | ✓ |
| 14 | % of the municipality's budget spent on implementing the work place skills plan (refer to KPI 18+19 below) | 0 | 0.9 | | R3 926 949 | R3 613 598.00 | 2008/2009 baseline indicates total amount, not percentage. | Manager: Skills Development | | ✓ |
| 15 | Financial viability 1 (refer to Annexure A) | | | | | | | Manager: Financial Services | | 2008/2009 currently being audited |
| 16 | Financial viability 2 (refer to Annexure A) | | | | | | | | | |
| 17 | Financial viability 3 (refer to Annexure A) | | | | | | | | | |

Please refer to attached 'Annexure A'



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SECTION 2 – ADDITIONAL PROVINCIAL KEY PERFORMANCE INDICATORS

| NO | STANDARD PROVINCIAL INDICATOR/MUNICIPAL PERFORMANCE INDICATOR | BACKLOG | PREVIOUS YEAR'S CONCLUDING/CONSOLIDATED BASELINE MEASUREMENT (2006/2007) | ANNUAL DEVELOPMENT TARGET FROM THE IDP (2007/2008 IDP TARGET) | CURRENT YEAR'S CONCLUDING/CONSOLIDATED BASELINE MEASUREMENT (2007/2008) | 3 YEAR TARGET OF THE IDP (2010/2011 TARGET) | ACTIONS TO CORRECT | SOURCE OF INFORMATION | AUDIT OF INFORMATION | |
|----|--|---------------|--|---|---|---|--------------------|-----------------------------|-----------------------------------|-----|
| | | | | | | | | | YES | NO |
| 18 | Number of Councilors undergone leadership development training | 0 | 52 | 2 | 2 | 21 | | Manager: Skills Development | ✓ | |
| 19 | Number of senior management (Section 57) undergone leadership development training | 0 | 9 | 2 | 2 | 29 | | Manager: Skills Development | ✓ | |
| 20 | % improved cost recovery with respect to trading services: water | | | 100% | 137% | 100 | | Manager: Budget | ✓ | |
| 21 | % improved cost recovery with respect to trading services: sanitation | | | 98% | 100,96% | 100 | | Manager: Budget | ✓ | |
| 22 | % improved cost recovery with respect to trading services: electricity | | | 100% | 98% | 100 | | Manager: Budget | ✓ | |
| 23 | % improved cost recovery with respect to trading services: refuse | Not Available | 90.66 | 98% | 92% | 100 | | Manager: Budget | ✓ | |
| 24 | % improved cost recovery with respect to trading services: municipal rates | | | 100% | 123% | 100 | | Manager: Budget | ✓ | |
| 25 | % improved cost recovery with respect to trading services: other (state others by inserting appropriate lines) | | | N/A | N/A | N/A | N/A | N/A | | N/A |
| 26 | % of MIG budget spent | 42.83 | 99.86 | 100 | 99 | | | Manager: Budget | 2008/2009 currently being audited | |
| 27 | % of total municipal capital budget spent | N/A | 69.42 | 100 | 80 | | | Manager: Budget | 2008/2009 currently being audited | |
| 28 | % of the municipal capital budget spent in applicable nodes as per the PSEDs | | | | | | | Manager: IDP | | |
| 29 | % of the municipal capital budget spent in applicable corridors as per the PSEDs | | | | | | | | | |



Msunduzi Municipality Annual Report 2008/09

| NO | STANDARD PROVINCIAL INDICATOR/MUNICIPAL PERFORMANCE INDICATOR | BACKLOG | PREVIOUS YEAR'S CONCLUDING/ CONSOLIDATED BASELINE MEASUREMENT (2006/2007) | ANNUAL DEVELOPMENT TARGET FROM THE IDP (2007/2008 IDP TARGET) | CURRENT YEAR'S CONCLUDING/ CONSOLIDATED BASELINE MEASUREMENT (2007/2008) | 3 YEAR TARGET OF THE IDP (2010/2011 TARGET) | ACTIONS TO CORRECT | SOURCE OF INFORMATION | AUDIT OF INFORMATION | |
|----|--|---------|--|---|---|--|--|-----------------------------------|-------------------------|----|
| | | | | | | | | | YES | NO |
| 30 | % of the total capital budget spent in strategic intervention areas of the Spatial Development Framework | | 543 988 | - | 485 808 | Information not available | Financial Report | | | |
| 31 | % of the total municipal budget allocated to the development of community social infrastructure | - | 11.63 | - | 35% | - | Finance Support Services Manager: Community Services & Social Equity | 2008/2009 currently being audited | | |
| 32 | Number of households serviced with formal housing | 16000 | 1144 | 2550 | 2550 | | Manager: Housing Delivery | ✓ | | |
| 33 | Number of ward committees established | 37 | 37 | 37 | 37 | 37 | Manager: Office of the Speaker | ✓ | | |
| 34 | Number of ward committees functional (conduct meetings, have records and discuss issues with the municipality) | 37 | 36 | 37 | 37 | 37 | Manager: Office of the Speaker | ✓ | | |
| 35 | Number of ward committees trained | 37 | 37 | 37 | 37 | 37 | Manager: Office of the Speaker | ✓ | | |



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IMPACT PERFORMANCE INDICATORS

| | | | | | | | | | | |
|----|--|--|--|--|--|--|--|--|--|--|
| 36 | % improvement in attendance at ward committee meetings | | | | | | | | | |
| | | | | | | | | | | |
| 37 | % increase in customer satisfaction with municipal service delivery (infrastructure) | | | | | | | | | |
| | | | | | | | | | | |
| 38 | % increase in customer satisfaction with municipal LED delivery | | | | | | | | | |
| | | | | | | | | | | |
| 39 | % increase in customer satisfaction with municipal good governance | | | | | | | | | |
| | | | | | | | | | | |
| 40 | % increase in internal (officials) satisfaction with municipal good governance | | | | | | | | | |
| | | | | | | | | | | |



ANNEXURE A' (REFER KEY PERFORMANCE INDICATORS 15-17)

| | Financial Viability as Expressed by the Following Ratios | CONCLUDING BASELINE 2007/2008 | TARGET 2007/2008 | ACTUAL 2007/2008 | ACTUAL 2008/2009 | TARGET 2010/2011 |
|---|---|-------------------------------------|---------------------|---------------------|---------------------|---------------------|
| 1 | A = B-C/D | | | | | |
| | Where: | | | | | |
| | "A" represents debt coverage | | | | | |
| | "B" represents total operating revenue received - | 1,624,143,600 | 1,525,627,378 | 1,624,143,600 | 2,104,067,303 | 2,104,067,303 |
| | "C" represents operating grants | -182,124,630 | -182,124,630 | -182,124,630 | -137,341,492 | -137,341,492 |
| | "D" represents debt service payments (i.e. interest + redemption) due | 1,442,018,970 | 1,343,502,748 | 1,442,018,970 | 1,966,725,811 | 1,966,725,811 |
| | | 95,485,900 | 87,114,760 | 95,485,900 | 102,226,900 | 102,226,900 |
| | | 15.10 | 15.42 | 15.10 | 19.24 | 19.24 |
| 2 | A = B/C | | | | | |
| | Where: | | | | | |
| | "A" represents outstanding service debtors to revenue | | | | | |
| | "B" represents total outstanding service debtors | 435,431,707 | 435,431,707 | 435,431,707 | 479,419,777 | 479,419,777 |
| | "C" represents annual revenue actually received for services; | 1,263,532,265 | 1,263,532,265 | 1,263,532,265 | 1,454,266,088 | 1,454,266,088 |
| | | 0.34 | 0.34 | 0.34 | 0.33 | 0.33 |



The Dynamic, Caring Capital City of Choice in KZN

| | Financial Viability as Expressed by the Following Ratios | CONCLUDING BASELINE 2007/2008 | TARGET 2007/2008 | ACTUAL 2007/2008 | ACTUAL 2008/2009 | TARGET 2010/2011 |
|---|--|-------------------------------------|---------------------|---------------------|---------------------|---------------------|
| | | | | | | |
| 3 | A = B + C/D | | | | | |
| | Where: | | | | | |
| | "A" represents cost coverage | | | | | |
| | "B" represents all available cash at a particular time | 3,424,665 | 3,424,665 | 3,424,665 | 19,246,950 | 19,246,950 |
| | "C" represents investments | 260,420,761 | 260,420,761 | 260,420,761 | 93,574,692 | 93,574,692 |
| | "D" represents monthly fixed operating expenditure, | 263,845,426 | 263,845,426 | 263,845,426 | 112,821,642 | 112,821,642 |
| | | 125,566,384 | 125,566,384 | 125,566,384 | 173,841,167 | 173,841,167 |
| | | 2.10 | 2.10 | 2.10 | 0.65 | 0.65 |



| NO | ITEM | STANDARD PROVINCIAL INDICATOR/ MUNICIPAL PERFORMANCE INDICATOR | In Place /yes | In process /review | No progress /no | ACTIONS TO CORRECT |
|----|---|--|---------------|-----------------------|--------------------|---|
| 1 | Core administrative policies, plans, procedures, systems and frameworks developed in municipalities | Legally compliant Employment Equity Plan | | ✓ | | |
| | | Workplace Skills Development Plan (staff other than Sec 57) | ✓ | | | |
| | | Recruitment policy | ✓ | | | |
| | | Legally compliant Supply Chain Management policy | ✓ | | | |
| | | Budget policy | | | ✓ | Use MFMA and Municipality's Financial Regulations |
| | | Indigent support policy | ✓ | | | |
| | | Credit control and debt collection policy | ✓ | | | |
| | | Bank and investment policy | | ✓ | | Currently use cash management policy |
| | | Asset and Liability management policy | ✓ | | | |
| | | Tariff policy | ✓ | | | |
| | | Risk management policy | ✓ | | | |
| | | Revised bylaws | ✓ | ✓ | | |
| | | Standing operating procedures and administrative delegations | | | ✓ | |
| | | Anti-corruption Strategy and structures | ✓ | | | Strategy has been approved; structures outstanding. |
| | | Internal and Financial and Performance Auditing structures and sustems | ✓ | | | |
| | | Public Consultation and Participation Framework | | ✓ | | |



The Dynamic, Caring Capital City of Choice in KZN

| NO | ITEM | STANDARD PROVINCIAL INDICATOR/ MUNICIPAL PERFORMANCE INDICATOR | In Place /yes | In process /review | No progress /no | ACTIONS TO CORRECT |
|----|--------------------------|--|---------------|-----------------------|--------------------|--------------------|
| 2 | Competency Frameworks | Competency Framework developed for the Administration | | | ✓ | |
| | | Competency Framework developed for the Council | | | ✓ | |
| 3 | Implementing organograms | Approved Organogram | ✓ | | | |
| | | Municipal organogram aligned to allocated and assigned powers and functions | ✓ | | | |
| | | number total posts vacant at the end of the financial year (information to provided: number vacant posts/ number of post on organogram, eg 20/100) | | 95 | | |
| | | municipal manager post filled at the end of the financial year (EXCLUDING acting and not suspended) | ✓ | | | |
| | | municipal manager post occupied by PDI | | | ✓ | |
| | | municipal manager post occupied by women | | | ✓ | |



| NO | ITEM | STANDARD PROVINCIAL INDICATOR/ MUNICIPAL PERFORMANCE INDICATOR | In Place /yes | In process /review | No progress /no | ACTIONS TO CORRECT | |
|----|--------------------------|---|---------------|--------------------|-----------------|---|--|
| | | Senior management (Section 57 only) posts filled at the end of the financial year (EXCLUDING acting and not suspended) | filled | vacant | advertised | if filled, occupied for how many months in the year | if filled, occupied with the person/ not |
| | | Municipal Manager | ✓ | | | 12 | |
| | | Monitoring and Evaluation (Performance Management) | | | - | | |
| | | Financial Management | ✓ | | | 12 | |
| | | Technical Services | ✓ | | | 12 | |
| | | Local Economic Development | | ✓ | | | |
| | | Community Services | ✓ | | | 12 | |
| | | Corporate Services | ✓ | | | 12 | |
| | | Development Planning | | ✓ | | 12 | |
| | | number senior management posts (Section 57 only) occupied by PDI | Number | 5 | | | |
| | | number senior management (Section 57 only) posts occupied by women | Number | 0 | | | |
| | | number senior management posts (Section 57 only) occupied by disabled | Number | 0 | | | |
| 3 | Implementing organograms | numbers must exclude the Municipal Manager position (information to provided: number women Sec 57 occupants/ number of Sec 57 post on organogram, eg 1/5) | | | | | |



The Dynamic, Caring Capital City of Choice in KZN

| NO | ITEM | STANDARD PROVINCIAL INDICATOR/ MUNICIPAL PERFORMANCE INDICATOR | In Place /yes | In process /review | No progress /no | ACTIONS TO CORRECT |
|----|-------------------------------------|--|---------------|-----------------------|--------------------|-----------------------------|
| 4 | Financial Management | Revenue Raising Strategy developed | | ✓ | | |
| | | Ratio of Operating & Maintenance, Salaries and Capital budget (in R) | Budget | Actual | | |
| | | Operating | 1,796,648,675 | 1,832,771,294 | | |
| | | Maintenance | 78,963,973 | 77,379,164 | | |
| | | Salaries | 545,930,886 | 594,306,242 | | |
| | | Capital | 334,467,179 | 268,945,280 | | |
| | | Debt Recovery Plan developed | ✓ | | | |
| | | Approved budget by end of June | ✓ | | | |
| | | Service Delivery Budget Implementation Plan (SDBIP) approved by July | ✓ | | | |
| | | Submission of annual financial statements to the Auditor General by August | ✓ | | | |
| 5 | Municipal Property Rates Act | Results of Auditor General 08/09 audit (mark the appropriate block) | | | | In process of being audited |
| | | Unqualified | | | | |
| | | Qualified | | | | |
| 6 | Basic Services | No Opinion | | | | |
| | | Disclaimer | | | | |
| | | Functional billing system in place | ✓ | | | |
| | | Property Rates Policy | ✓ | | | |
| | | Valuation Role | ✓ | | | |
| | | Backlog study completed and verified by Statistics South Africa | | | ✓ | |
| | | Municipal Infrastructure Implementation Strategy for 5 years | ✓ | | | |
| | | Indigent Register | ✓ | | | |
| | | Housing Strategy to eradicate informal settlements | | ✓ | | |

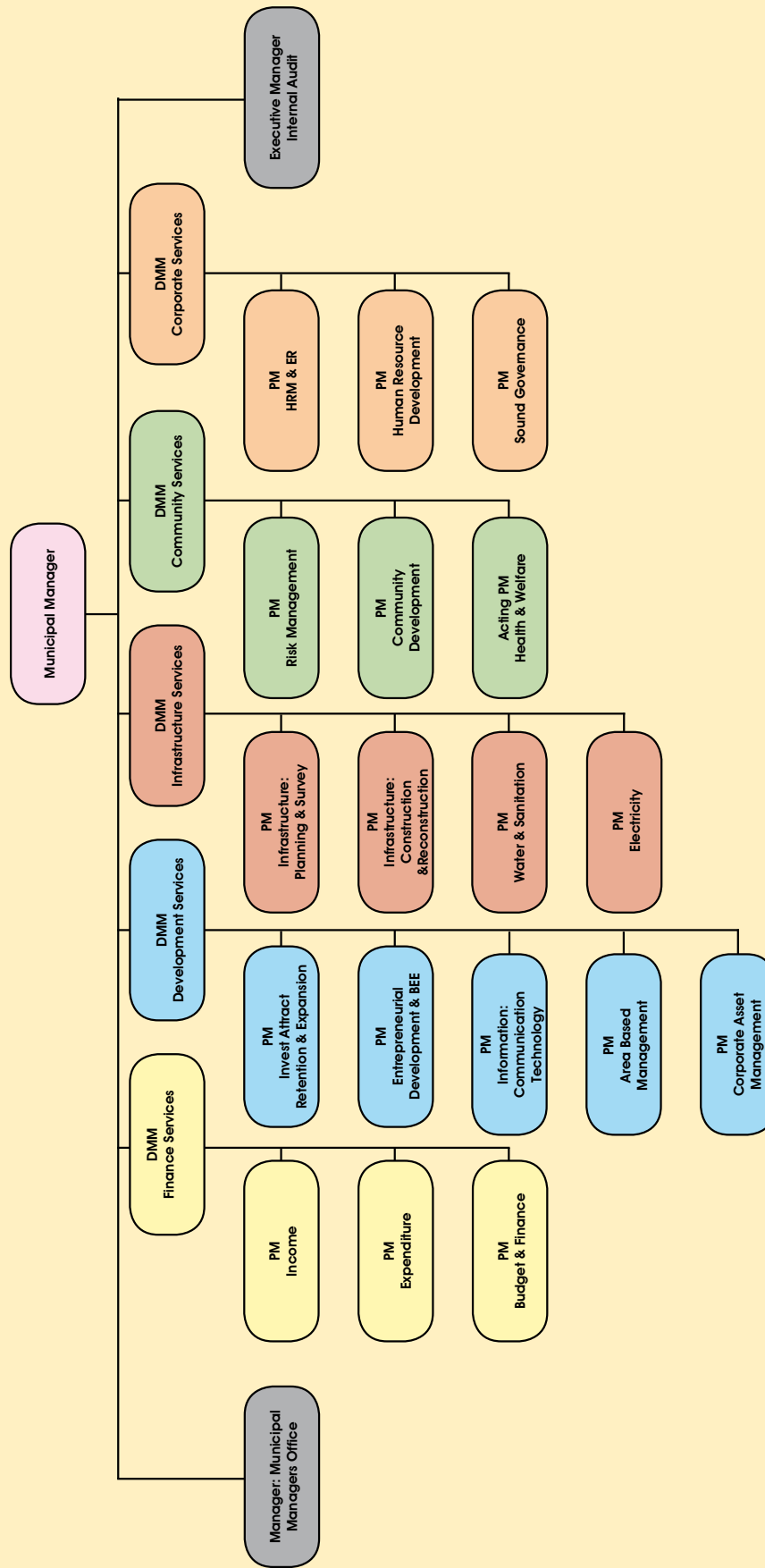


| NO | ITEM | STANDARD PROVINCIAL INDICATOR/ MUNICIPAL PERFORMANCE INDICATOR | In Place /yes | In process /review | No progress /no | ACTIONS TO CORRECT |
|----|-----------------------------------|---|---------------|-----------------------|--------------------|---|
| 7 | Good Governance | Consultation and Public Participation Framework in place | | ✓ | | |
| | | Customer Complaints system | ✓ | | | |
| | | Traditional Leadership consultation and participation programme | | ✓ | | |
| | | Conducted customer satisfaction surveys | | | ✓ | |
| | | HIV/AIDS strategy developed | ✓ | | | |
| | | Adopted Community Development Worker Frameworks | | | | N/A |
| | | Adopted Section 53 Framework in terms of the MSystemsA adopted by Council | | | | |
| | | District Coordinating Forum (DCF) established and operational | | | | N/A |
| | | District Technical Forum established and operational | | | | N/A |
| | | 08/09 Annual Report adopted | | | | Deadline for 2008/2009 Annual Report is 31st January 2010 |
| | | 08/09 Annual Performance Report | | ✓ | | |
| | | Council adopted 08/09 Oversight Report | | | ✓ | |
| 8 | Local Economic Development | Functional Audit Committee | ✓ | | | Deadline for 2008/2009 Oversight Report is March 2010 |
| | | Functional Performance Audit Committee | | | ✓ | PMS specialist on Audit Committee |
| | | IDP adopted by end June | ✓ | | | |
| | | LED programme developed | | ✓ | | |
| | | Poverty alleviation programme adopted | | ✓ | | |



CHAPTER FIVE: FUNCTIONAL AREA SERVICE DELIVERY REPORTING

5.1 ORGANIZATIONAL STRUCTURE



5.2 FUNCTION: FINANCE

Sub Function: Supply Chain Management (Procurement)

Overview:

Includes all activities relating to overall procurement functions of the municipality including costs associated with orders, tenders, contract management, warehouse and Logistics management etc

Description of the Activity:

The function of procurement within the municipality is administered as follows and includes:

1. Acquisition of Goods and Services.
2. Demand Side Management
3. Disposal of obsolete and redundant Goods
4. Risk Management relating to tenders and contracts.
5. Contract Management
6. Warehouse and Logistics

These services extend to include:

- the Appointment of Service Providers;
- Management of contracts;
- Review of Cost and spend analysis.

The municipality has a mandate to develop a System for the Acquisition of Goods and services in compliance with Section 217 of the Constitution read in Conjunction with the MFMA and SCM Regulations:

The key issues for 2009/10 are:

- To review the SCM policy and procedures to align these with National Government mandates;
- To finalize the re-alignment of the SCM unit structure and Job Descriptions;
- The Implementation of the Intenda System of Database Management

Analysis of the Function:

| 1. Details of tender / procurement activities: | |
|---|--------|
| - Total number of times that tender committee met during year | 33 |
| - Total number of tenders considered | 102 |
| - Total number of tenders approved | 96 |
| - Average time taken from tender advertisement to award of tender | 4 mths |

| 2. Details of Tender Committee: | Alternate |
|--|--------------|
| Chairperson: Chief Financial Officer- R Bridgmohan | M. Sahibdeen |
| Deputy Municipal Manager: Infrastructure Services- P Mashoko | M. Viljoen |
| Deputy Municipal Manager: Corporate Services- K Perumal | K Thaver |
| Deputy Municipal Manager: Community Services- Z Hulane | M Zuma |
| Deputy Municipal Manager: Development Services- S Mpanza | S Zimu |
| Head: Supply Chain Management- F Grantham | T Gounder |
| Legal Advisor- W Cooper | |



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PERFORMANCE HIGHLIGHTS:

| Key Performance Area | Performance During the Year, Performance Targets Against Actual Achieved and Plans to Improve Performance |
|--|--|
| Institutional Development and Transformation | IDP Goal/Objective: Centralise all Supply Chain management(SCM) processes to ensure effective control and improvement of financial spending of the Municipality |
| | Actual Performance Achieved 2007&2009: limited success, with only the Stores division placed under SCMU |
| | Variance between Planned & Actual Performance (if any): 70% |
| | Reason for Variance: Some departments still undertake own sourcing and appointments |
| | Improvements for Next Year: Finalisation of complete SCMU structure. |
| Institutional Development and Transformation | IDP Goal/Objective: implementation of Intenda Database System |
| | Actual Performance Achieved 2008/2009: 50% |
| | Variance between Planned & Actual Performance (if any): 50% |
| | Reason for Variance: Unable to link with Council IT systems |
| | Improvements for Next Year: Create links |
| | |



5.3 CORPORATE SERVICES

Sub Functions: Sound Governance, Human Resources, Employee Relations, Legal, Human Resource Development and Information and Communication Technology.

OVERVIEW:

Includes all activities relating to the human resource management function of the municipality including recruitment, selection and induction - also performance management systems, code of conduct detail and decision making systems. Also includes the Municipality's mandate to comply with legislation, policies, laid down procedures and best administrative practices. The ICT Sub-unit provides efficient and cost effective management and control of ICT services within the Msunduzi Municipality. Corporate Services includes the following sub-units:



DMM: Corporate Services
Kevin Perumal

- **HUMAN RESOURCES DEVELOPMENT** deals with the matter of the development of the organization, employees, councillors and communities through Skills Development, Organizational and Performance Management. These services extend to include employees and community members, within the jurisdiction of the Msunduzi Municipality. This Unit has two sub-sections, Skills Development and Organizational Development;
- **SOUND GOVERNANCE** has a role of making sure that Council complies with relevant legislation, ordinances and bylaws. It must also ensure that Batho Pele principles are implemented throughout the organization. It is made up of four sections namely: Printing, Secretariat, Licensing and Information Centre.
- **HUMAN RESOURCES** are responsible for recruitment, selection, placement, and remuneration of staff. **EMPLOYEE RELATIONS** is responsible for ensuring that all Labour related pieces of legislation are being adhered to and that the relationship between the employer and its employees is properly regulated.
- **The LEGAL sub-unit:** The law, as applied by municipalities, is becoming increasingly important not only for senior managers and municipal governments, but for every single official and indeed, inhabitant. To give practical effect to the preamble in the Constitution which intends a better life for all, governments at all levels are making policies and promulgating laws at an ever increasing space, placing an enormous responsibility on officials to be aware of, interpret and correctly apply their principles. It is within this context that the work of the legal division must be seen.
- **INFORMATION AND COMMUNICATION TECHNOLOGY:** The ICT Sub-unit provides efficient and cost effective management and control of ICT services within the Msunduzi Municipality. The information communication technology responsibilities of the municipality are administered include: Technical services; Information Management; and, ICT Security

The strategic objectives of this function are:

1. Ensuring the effectiveness and efficiency of the Council's decision making system and improving communication and understanding
2. Compliance with legislation;
3. To provide efficient and effective legal services to the wider Msunduzi Municipality;
4. To promote and maintain a healthy employee relations climate and industrial peace in order to achieve organizational and employee effectiveness;
5. To contribute Towards Employability & Self Employability of Youth and Community;
6. To ensure a competent workforce to achieve organizational objectives;
7. To improve organizational efficacy and measure results ;



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8. Effective Financial Management;
9. Deploy adequate and equitable ICT infrastructure to broaden access to information and services;
10. Ensure optimal utilization of technology and telecoms by relevant staff through awareness and training;
11. Promote enterprise-wide approach to ICT planning;
12. Formulation of policies and ICT steering committee ;
13. Provide data integrity, control and security;
14. Centralized Data Provision e.g. Payday, ProMIS;
15. ICT Service Desk to provide Desktop, back-end and Business Process Provision support;
16. GIS Service;

ANALYSIS OF THE FUNCTION:

| | | | |
|---|---|--|--|
| 1) Number and cost to employer of all municipal staff employed: | PLEASE REFER TABLE 1: NUMBER AND COST TO EMPLOYER OF ALL MUNICIPAL STAFF EMPLOYED | | |
| 2. Skill or levels of education attained by staff: | Professional (Managerial/ Specialist) | Office (Clerical/ Administrative) | Non-Professional (blue collar, outside workforce) |
| Below NQF 1 | | 12 | 619 |
| NQF 1 | | 38 | 73 |
| NQF 2 | | 24 | 84 |
| NQF 3 | | 37 | 18 |
| NQF 4 | 4 | 57 | 27 |
| NQF 5 | 3 | 21 | 2 |
| NQF 6 | 27 | 18 | |
| NQF 7 | 8 | 16 | |
| NQF 8 | | | |
| Unknown | | 329 | 929 |
| Total | 42 | 552 | 1752 |
| 3. Number of people from employment equity target groups employed in the three highest management levels in the municipality (consolidated figure). | PLEASE REFER TABLE 1: NUMBER AND COST TO EMPLOYER OF ALL MUNICIPAL STAFF EMPLOYED | | |
| 4. Number of women employed in the three highest management levels in the municipality (consolidate figure.) | | | |
| 5. Number of people with disabilities employed in the three highest management levels in the municipality (consolidated figure). | | | |
| 6. % of the municipality's budget spent on implementing the work place skills plan. | 0,30% | | |



| | | | |
|--|---------------------------|---------------|-----------------|
| 7. Trends on total personnel expenditure over the last 3 to 5 years, compared to budget | R (000s) | | |
| • Budget year 2005/2006 | 439 647 199 | 434 383 262 | |
| • Budget year 2006/2007 | 493 074 320 | 500 859 238 | |
| • Budget year 2007/2008 | 521 274 564 | 580 172 392 | |
| 8. Number of senior management (Section 57) undergone leadership development training. | 17 | | |
| 9. The number and name of pension and medical aid funds | NUMBER | | |
| • Pension | 5 | | |
| 1. Natal Joint Pension Fund | | | |
| 2. Government Employees Pension Fund | | | |
| 3. AIPF | | | |
| 4. SALA Pension Fund | | | |
| 5. Municipal Councillors | | | |
| • Medical aid | 5 | | |
| 1. LA Health | | | |
| 2. Discovery | | | |
| 3. Bonitas | | | |
| 4. Key Health | | | |
| 5. SAMWUMED | | | |
| 10. Number of Councillors undergone leadership development training. | 30 | | |
| 11. Number and total of computers servicing municipality: | | NUMBER | R (000s) |
| | - Aged less than 5 years | 400 | 4000 |
| | - Aged 5 years or greater | 150 | 1500 |
| 12. Total number customers supported (End user support, Help desk, Database administration, Internet): | 1000 | | |
| 13. Total number of information communication technology service related complaints received: | 80/day | | |



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PERFORMANCE HIGHLIGHTS-HUMAN RESOURCES DEVELOPMENT

| Key Performance Area | Performance During the Year, Performance Targets Against Actual Achieved and Plans to Improve Performance | | | |
|--|---|----------------------------|---------------|-----------------|
| Economic and Social Development | IDP Goal/Objective: Contribute Towards Employability & Self Employability of Youth and Community | | | |
| | Actual Performance Achieved 2008/2009: | ACTUAL | TARGET | VARIANCE |
| | Social Responsibility Project | 5 | 3 | 2 |
| | Zonal Career Exhibition | 3 | 1 | 2 |
| | Develop Policy to incorporate work exposure | 1 | 0 | 1 |
| | Provision of skills programme | 3 | 2 | |
| | Finalization of Training Framework with FET- Belgium programme. | 1 | 0 | 1 |
| | Awarding of external bursaries | 10 | 7 | 1 |
| | Awarding of learner ships & apprenticeships | 38 | 53 | 15 |
| | Placement of interns | 66 | 46 | 20 |
| | Implement Technical Scarce Skills Programmes | 2 | 0 | 0 |
| | Coordinating Training Emerging contractors | 75 | 0 | 75 |
| | Liaise with procurement to include skills transfer clause in all contracts with experienced providers | 1 | 0 | 1 |
| | Reason for Variance: Lack of commitment from relevant stakeholder, budgetary constraints | | | |
| | Improvements for Next Year: Getting buy in from stakeholders | | | |
| Good Governance and Public Participation | IDP Goal/Objective: To Ensure good governance and good participation to improve effectiveness and efficiency of the Councils | | | |
| | Actual Performance Achieved 2008/2009: | ACTUAL | TARGET | VARIANCE |
| | Ward Committee Training | 370 Ward Committee Members | 370 | 0 |
| | Skills Audit to identify Gaps. | 80 Ward Committee members | 80 | 0 |
| | Training of Wards 1- 18 | 18 | 12 | 6 |
| | Operationalise & reaffirm existing MOU's Establish Partnership | 1 | 1 | 0 |
| | Reason for Variance: Lack of commitment from stakeholders | | | |
| | Improvements for Next Year: Sensitize stakeholders on compliance with legislation | | | |



| Key Performance Area | Performance During the Year, Performance Targets Against Actual Achieved and Plans to Improve Performance | | | |
|--|---|---------------|---------------|-----------------|
| Institutional Development and Transformation | IDP Goal/Objective: To ensure a competent workforce to achieve organizational objectives. | | | |
| | Actual Performance Achieved 2008/2009: | ACTUAL | TARGET | VARIANCE |
| | Workplace Skills Plan is Developed and Implemented | 100% | 100% | 0 |
| | Conduct workshops on training identification for Training Committees | 100% | 100% | 0 |
| | Conduct skills audit for IPS and Parks | 100% | 80% | 20% |
| | Develop PDPs for water & sanitation and IPS employees | 500 | 0 | 500 |
| | Develop and implement ISF and HRD WSP 2007/2008 | 60% | 0 | 60% |
| | Conduct RPL assessments | 150 | 0 | 150 |
| | Establish Marketing working committee Est and effect marketing strategies | 1 | 0 | 1 |
| | Annual evaluation of policies | 100% | 50% | 50% |
| | Develop Process Flow Manual | 100% | 80% | 20% |
| | Develop service standards | 1 | 0 | 1 |
| | Resource Centre established | 1 | 0 | 1 |
| | Promotion of e-learning | 1 | 0 | 1 |
| | Conduct assessments of finance, senior managers & procurement and develop implementation plan (MFMA) | 100% | 50% | 50% |
| | Conduct Skills Audit on the first 4 levels of the organizational structure | 100% | 100% | 0 |
| | Identification and Training of Mentors and Coaches | 45 | 35 | 10 |
| | Roll-out implementation of ABET Programme to all at NQF Levels | 140 | 0 | 140 |
| | Continuation of IDP learner ships | 2 | 0 | 2 |
| | Award Apprenticeship | 10 | 8 | 2 |
| | Coordinate Section 28 training | 12 | 8 | 4 |
| | Award of Bursaries and Scholarships | 10 | 30 | 20 |
| | Councillors on ELDP. | 12 | 4 | 8 |
| Institutional Development and Transformation | Reason for Variance: Budgetary constraints | | | |
| | Improvements for Next Year: Motivate for more funding and ring-fencing | | | |
| | | | | |
| | | | | |
| | | | | |
| | | | | |
| | | | | |
| | | | | |
| Institutional Development and Transformation | IDP Goal/Objective: To improve organizational efficacy and measure results | | | |
| | Actual Performance Achieved 2008/2009: | ACTUAL | TARGET | VARIANCE |
| | Conduct quality audits | 1 | 0 | 1 |
| | Evaluate effectiveness of restructuring | 1 | 0 | 1 |
| | Establishment of PMS steering committee | 1 | 1 | 0 |
| | Develop PMS policy | 1 | 1 | 0 |
| | Develop SBU scorecards | 7 | 0 | 7 |
| | Reason for Variance: Organizational readiness | | | |
| | Improvements for Next Year: Sensitize and get buy in from all internal stakeholders | | | |



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PERFORMANCE HIGHLIGHTS-HUMAN RESOURCES & EMPLOYEE RELATIONS

| Key Performance Area | Performance During the Year, Performance Targets Against Actual Achieved and Plans to Improve Performance | |
|--|---|---|
| Institutional Development and Transformation | PROGRAMME | ACHIEVEMENTS |
| | Systems and Remuneration | Purchase of SAP Human Resource Management software system |
| | | Training of all users has been completed |
| | | 25% of re-engineering of systems, processes and procedures has been achieved |
| | Job Evaluation | Job descriptions completed and submitted to the PJEC |
| | | A software system to draw organizational structures, called ORG-PLUS, was procured |
| | | The Staff Establishment has been completed |
| | | Integration of PJEC into Job Evaluation unit was completed |
| | Employment Equity | The Equity Policy and the Equity Plan, together with other related policies, were drafted and awaits Council's approval |
| | | A 5-year Employment Equity Plan was developed and submitted for approval |
| | Employee Relations | Implementation of Industrial Action Management Plan was completed and awaits approval |
| | Personnel | The timeous filling of vacant posts has been achieved |
| | | Orientation of new staff was achieved and is ongoing |
| | | The Policy on retention of new staff was drafted and approved |
| | Occupational Health & Safety | An 'Open Day' was held by conducting a KAP survey amongst employees |
| | | The establishment of effective Health & Safety Committee Structures was achieved |



PERFORMANCE HIGHLIGHTS-SOUND GOVERNANCE:

| Key Performance Area | Performance During the Year, Performance Targets Against Actual Achieved and Plans to Improve Performance | |
|--|---|---|
| | PROGRAMME | ACHIEVEMENTS |
| Institutional Development and Transformation | Records Management Policy | Prepared and submitted |
| | Policy Development | Policy for the Election of Ward Committees was adopted by Council |
| | Printing | The purchase of a colour printer which has increased the capacity of the Printing Division to meet increased demands |
| | Council's Decision-Making System | Ongoing improvements aimed at increasing the efficiency and effectiveness of the Council's decision-making structures and processes including the preparation and submission of a discussion document to the Municipal Manager on the realignment of the committee system |

PERFORMANCE HIGHLIGHTS- INFORMATION AND COMMUNICATION TECHNOLOGY:

| Key Performance Area | Performance During the Year, Performance Targets Against Actual Achieved and Plans to Improve Performance | Actual | Target |
|--|---|-------------------|-------------------|
| Institutional Development and Transformation | IDP Goal/Objective: Deploy adequate ICT Infrastructure at 5 sites | 5 sites | 5 sites |
| | Actual Performance Achieved 2008/2009: N/A | | |
| | Variance between Planned & Actual Performance (if any): N/A | | |
| | Reason for Variance: N/A | | |
| Institutional Development and Transformation | IDP Goal/Objective: Optimize use of Technology | Ongoing | Ongoing |
| | Actual Performance Achieved 2008/2009: N/A | | |
| | Variance between Planned & Actual Performance (if any): N/A | | |
| | Reason for Variance: N/A | | |
| Institutional Development and Transformation | IDP Goal/Objective: Improve Customer Service- Call Centre | Basic Call Centre | Basic Call Centre |
| | Actual Performance Achieved 2008/2009: N/A | | |
| | Variance between Planned & Actual Performance (if any): N/A | | |
| | Reason for Variance: N/A | | |



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Table 1: Number and cost to employer of all municipal staff employed:

| Table 1: Number and cost to employer of all municipal staff employed: | | | | | | | | | | | | | | |
|--|-------------------|---------|---------|---------|---------|---------|---------|--------|---------|--------|--------|-------------------|----------|-------|
| Occupational Levels | | Male | | | | | Female | | | | | FOREIGN NATIONALS | | Total |
| | | A | C | I | W | A | C | I | W | M | F | | | |
| Top Management | Number of workers | 1 | 0 | 2 | 1 | 0 | 0 | 0 | 0 | 0 | 1 | 0 | 5 | |
| | Remuneration | 672158 | 0 | 672158 | 747722 | 0 | 0 | 0 | 0 | 0 | 672158 | 0 | 2764196 | |
| Senior Management | Number of workers | 8 | 2 | 5 | 6 | 5 | 1 | 0 | 1 | 0 | 0 | 0 | 28 | |
| | Remuneration | 638927 | 638927 | 638927 | 638927 | 638927 | 638927 | 0 | 638927 | 0 | 0 | 0 | 4472534 | |
| Professionals qualified and experienced specialists and mid-management | Number of workers | 36 | 8 | 59 | 30 | 18 | 0 | 17 | 10 | 0 | 0 | 0 | 178 | |
| | Remuneration | 381075 | 381075 | 381075 | 381075 | 381075 | 0 | 381075 | 381075 | 0 | 0 | 0 | 2667525 | |
| Skilled technical and academically qualified | Number of workers | 300 | 47 | 135 | 50 | 120 | 8 | 37 | 21 | 0 | 0 | 0 | 718 | |
| | Remuneration | 266253 | 266253 | 266253 | 266253 | 266253 | 266253 | 266253 | 266253 | 0 | 0 | 0 | 2130024 | |
| Semi-skilled and discretionary decision making | Number of workers | 404 | 36 | 106 | 24 | 196 | 23 | 92 | 23 | 0 | 0 | 0 | 904 | |
| | Remuneration | 134553 | 134553 | 134553 | 134553 | 134553 | 134553 | 134553 | 134553 | 0 | 0 | 0 | 1076424 | |
| Unskilled and defined decision making | Number of workers | 926 | 5 | 30 | 0 | 280 | 0 | 11 | 0 | 0 | 0 | 0 | 1252 | |
| | Remuneration | 95897 | 95897 | 95897 | 0 | 95897 | 0 | 95897 | 0 | 0 | 0 | 0 | 479485 | |
| Total Permanent | Number of workers | 1675 | 98 | 337 | 111 | 619 | 32 | 157 | 55 | 1 | 0 | 0 | 3085 | |
| | Remuneration | 2188863 | 1516705 | 2188863 | 2168530 | 1516750 | 1039733 | 877778 | 1420808 | 672158 | 0 | 0 | 13590188 | |
| Temporary Employees | Number of workers | 66 | 5 | 34 | 1 | 43 | 2 | 5 | 2 | 0 | 0 | 0 | 158 | |
| | Remuneration | 379818 | 67426 | 89805 | 13332 | 315382 | 137840 | 65694 | 12929 | 0 | 0 | 0 | 1082226 | |
| Total Permanent | Number of workers | 1741 | 103 | 371 | 112 | 662 | 34 | 162 | 57 | 1 | 0 | 0 | 3243 | |
| | Remuneration | 2568681 | 1584131 | 2278668 | 2181862 | 1832132 | 1177573 | 943472 | 1433737 | 672158 | 0 | 0 | 14672414 | |



5.4 DEVELOPMENT SERVICES

5.4.1 Sub Function: Economic Development

OVERVIEW:

Investment Attraction
Business Retention and Expansion
Black Economic Empowerment and Entrepreneurial Development
SMME Development and support
Informal Trade Management
Airport Management
Municipal Market Management
Forestry Services Management
Tourism promotion and development
Monitoring the city's economy, creating an economic data base



**Acting DMM: Developmental
Services
Skhumbuzo Mpanza**

DESCRIPTION OF THE ACTIVITY:

The function of economic planning / development within the municipality is administered as follows and includes:

1. An Investment Attraction Retention & Expansion unit with two sub-units, viz. Investment Attraction and Municipal Enterprises (Airport, Market, Forestry)
2. Black Economic Empowerment & Entrepreneurial Development unit (including SMME Development and Informal Trade Management)

The municipality has a mandate to:

Promote sustainable economic development and job creation.

The strategic objectives of this function are the:

- Promotion and Attraction of inward Investment
- Promotion of the retention and Expansion of local businesses
- Promotion of Black Economic Empowerment
- Establishment of a socio-Economic data base
- Promotion of key sectors within the economy of the city
- The facilitation of a co-ordinated approach to tourism

The key issues for 2008/09 are:

1. Completion of Phase 2 of the Freedom Square Project
2. Increase in turnover and profitability of the Municipal Market
3. Formulating and implementing an Informal Trade Management plan
4. Promoting development projects in the Edendale valley



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| 1. Number and cost to employer of all economic development personnel | NUMBER | R (000s) |
|--|--------|------------|
| - Professional (Directors / Managers) | 4 | R2 206 451 |
| - Non-professional (Clerical / Administrative) | 11 | R1 369 892 |
| - Temporary | 5 | R461 298 |
| - Contract | 0 | 0 |
| Total | 15 | R3 576 343 |

| Key Performance Area | Performance During the Year, Performance Targets Against Actual Achieved and Plans to Improve Performance | Actual | Target |
|----------------------------|---|-----------|--------|
| Local Economic Development | IDP Goal/ Objective: Establish a dedicated sub-unit for the management and regulation of street trading | | |
| | Variance between Planned & Actual Performance (if any): Not Achieved | | |
| | Reason for Variance: Establishment of the Informal Trade Unit is to coincide with the restructuring of Entire municipality | | |
| | Improvements for Next Year: It is anticipated that the unit will be established early during 2009 | | |
| Local Economic Development | IDP Goal/Objective: Development of an Informal Trade Policy with specific programmes and projects. | R 418,000 | |
| | Variance between Planned & Actual Performance: | | |
| | Reason for Variance: Bulk of the Funding was reallocated to the airport. | | |
| | Improvements for Next Year: Appointment of consultants to develop policy | | |
| Local Economic Development | IDP Goal/Objective: To address the inequalities in the city's economy by increasing Broad Based Black ownership, control and management of businesses/enterprises by developing policy and medium term strategy with specific programmes and projects. | R 750,000 | |
| | Variance between Planned & Actual Performance (if any): | | |
| | Reason for Variance: Bulk of the Funding was reallocated to the airport | | |
| | Improvements for Next Year: Consultants will be appointed and a B-BBEE policy will be developed with a set of programmes and projects. | | |
| Local Economic Development | IDP Goal/Objective: To provide support for the establishment and development of SMME's. | Bee vote | |
| | Variance between Planned & Actual Performance (if any): | | |
| | Reason for Variance: Bulk of the Funding was reallocated to the airport. | | |
| | Improvements for Next Year: The SMME Outreach Programme will be continue in 2009. It is also envisaged that more funds will be required to ensure that the initiative is a success. | | |



| Key Performance Area | Performance During the Year, Performance Targets Against Actual Achieved and Plans to Improve Performance | Actual | Target |
|----------------------------|---|---------|---------|
| Local Economic Development | IDP Goal/Objective: repair roof at Market | 163104 | 164000 |
| | Actual Performance Achieved 2008/2009: | | |
| | Variance between Planned & Actual Performance (if any): | | |
| | Reason for Variance: | | |
| | Improvements for Next Year: | | |
| Local Economic Development | IDP Goal/Objective: maintain Airport infrastructure at Category 6 level. | 2465115 | 2717400 |
| | Actual Performance Achieved 2008/2009: | | |
| | Variance between Planned & Actual Performance (if any): R252 285 | | |
| | Reason for Variance: Extensions to fire station ran over 2 financial years | | |
| | Improvements for Next Year: | | |
| | Actual Performance Achieved 2007/2008: | | |
| | Variance between Planned & Actual Performance (if any): | | |
| | Reason for Variance: | | |
| | Improvements for Next Year: | | |



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5.4.2 Sub Function: Housing

OVERVIEW:

Includes all activities associated with provision of housing.

DESCRIPTION OF THE ACTIVITY:

The function of provision of housing within the municipality is administered as follows and includes:

- 1) **PLANNING AND PACKAGING OF PROJECTS PHASE:** Identification of beneficiaries; land identification; Council's support for project; applications to DoHS (Department of Human Settlements) for Conditional Approval; Social Compacts; Feasibility Application; Proposal Calls; as follows:
 - a) Identification of Beneficiaries - members of public apply for inclusion on the waiting list; community members living in an in-situ project area are ring fenced as potential beneficiaries; informal settlements located on unsuitable land for development identified for relocation to a housing project. The Beneficiary list discussed with PSC's and requires approval of Council. Beneficiary lists forwarded to DoHS for approval on National Data Base.
Strategic Objective - to provide access to adequate and safe housing for low income families (ie less than R3500 pm) and the "gap market" (i.e. between R3500 and R7500 p.m) i.t.o. Constitution and Housing Act.
Key Issues - Council to approve projects and beneficiaries lists.
 - b) Land Identification: Identification of land for housing from land audit and confirm location in terms of the Spatial Development framework and restructuring Zones; prioritize and report to Council for Approval and inclusion in the IDP (requirements by DoHS).
Strategic Objective - to develop suitably located land which is viable and sustainable to develop, in line with the policy of an integrated City which brings communities closer to job creation opportunities.
Key Issues - Council to prioritize sites from land audit.
 - c) Council's Support: Council must resolve:-
- to be the developer; to accept the outer figure of the project; beneficiary identification; level of services and funding for their design and construction.
Strategic Objective - Council commits to the project.
Key Issues - To address disputes with regard to beneficiary allocations and services levels, and to secure necessary funding for the services.
 - d) Conditional Approval Application: Initial application to DoHS for funding to appoint service providers to undertake environmental scoping report, geotechnical analysis and social survey and approve reports. Package documents with bulk services analysis to DoHS for Conditional Approval.
Strategic Objective - DoHS to include proposed project on DoHS data base for future funding.
Key Issues - Conditional Approval Application process is lengthy.
 - e) Social Compacts: Consultation with the community to support the proposed project and agree on the type of project to be developed. SC to be signed by community reps. Document requirement by the DoHS.
Strategic Objective - To ensure that the community "buys into" the project.
Key Issues - To sign SCs for projects.



- f) **Feasibility Applications:** Compiling all relevant documentation required by the DoHS related to a specific project for the DoHS to approve funding for the project. DoHS approve funding and submit Tripartite Agreement (TA) to municipality to be signed by the Council and the IA (Implementing Agent). TA discussed with the legal section and reported to Council for authority to sign.
Strategic Objective - To secure subsidy funding for the project in order for project to be implemented.
Key Issues - Sourcing documentation.
- g) **Proposal Calls:** Compilation of relevant documentation necessary to invite tenders from implementing agents and service providers to implement a low income housing project. Adjudication process followed and IA appointed.
Strategic Objective - To appoint an IA to implement the project.
Key Issues - Sourcing documentation and Council resolutions required for the Proposal Call.

2) **IMPLEMENTATION PHASE:** Managing implementing agent and co-ordinating activities of service providers.

- a) **Manage Implementation:** Co-ordination of the processes for approval by Council in consultation with Ward Councillor and community representatives, and implementation of:
- Layout planning
 - Identification and location of beneficiaries
 - Building plans
 - Services constructed
 - Houses constructed
 - Resolving constraints causing delays
 - Invoices/claims
 - Quality control and resolving snags
 - Budget monitoring

Strategic Objective - To ensure the delivery of an appropriate level of services to a site in an approved layout which is sustainable and transferable to an approved beneficiary, on which a house has been built in terms of the DoHS norms and standards and acceptable quality.

Key Issues - Ensuring delivery within the approved budget and programme, and resolving technical and social constraints which impact on the delivery process.

3) **CLOSE OUT PHASE:** Confirmation of taking over of services by the municipality; allocation of sites and issuing title deeds.

- a) Monitoring acceptances, 1 year maintenance, and taking over of services.
- b) Monitoring the allocation, occupation and transfer process of sites.
- c) Ongoing interaction with community structures to address missing beneficiaries.

Strategic Objective - To ensure the correct beneficiary occupies and takes title to the site they have been allocated.

Key Issues - Delays caused by illegal occupation of sites.

4) **MANAGEMENT OF RENTAL STOCK:** Management and maintenance of Council Housing Rental Stock; sale and transfer to tenants of certain units.

Strategic Objective - To ensure the provision of appropriate rental housing to people on the waiting list.

Key Issues - Non-payment of rent; maintenance of buildings; implementation of the Enhanced Extended Discount Benefit Scheme (EEDBS) transfers.



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- 5) **DEVELOPMENT FACILITATION ACT APPLICATIONS (DFAs) FOR RESIDENTIAL DEVELOPMENTS:** Private sector applications - evaluate proposals; draft services agreement and co-ordinate comments from sub-units' report to Council for authority to sign agreement; attend Tribunal hearings.

Strategic Objectives - To enable private sector to provide housing for the middle and upper income groups.

Key Issues - Capacity of bulk services to meet the needs of the developer; negotiate contribution from developers; meet deadlines set by the DFA.

- 6) **STRATEGIC HOUSING PLAN INCORPORATING THE HOUSING SECTOR PLAN:** Prepare an ongoing review of the SHP.

Strategic Objective - Meet requirements of the IDP and DoHS.

Key Issues - Keeping up to date with Council and DoHS policies; outstanding matter to be addressed.

- 7) **HOUSING CONSUMER EDUCATION PROGRAMMES:** Facilitate the introduction of this programme into the municipality; train Council officials; train community members.

Strategic Objectives - To capacitate communities with regard to their responsibilities as new home owners.

Objectives - Dedicated resources required to implement this programme; communities to have ongoing involvement with programme.

- 8) **HOUSING DATA BASE:** Set up and manage relevant information required for a data base of housing needs as defined by the DoHS; data required by surveying informally settled community areas.

Strategic Objectives - To provide the Council and the DoHS with a regular update on the demand for housing.

Key Issues - Data base needs to be revised and then kept up to date.

- 9) **LAND RELEASE PRIORITIZATION:** Council land to be identified for housing development for all incomes, including Bank Charter Housing and Community Residential Units; declaring Residential Zones in terms of the SDF and the GEDI (Greater Edendale Development Initiative) programmes; ongoing interaction with the Council's sub-units responsible for managing the SDF and GEDI programmes; Council to approve the programme; prepare proposal calls.

Strategic Objectives - To prioritize a roll-out of land to be developed by the private sector and agents of Council.

Key Issues - Approval by Council of a list of sites to be advertised.

- 10) **INNER CITY RESIDENTIAL STRATEGY:** Co-ordinate the activities required for the conversion of buildings for residential accommodation.

Strategic Objectives - Part of the CBD Revitalization programme and ties in with Social Housing Policy.

Key Issues - Approval of Provisional Restructuring Zones.

- 11) **INFORMAL SETTLEMENT RELOCATIONS AND EMERGENCY HOUSING:** Identification of options for the relocation of families living in vulnerable situations; linked to housing project programme, Emergency Housing Programme and Community Residential Unit programme.

Strategic Objectives - To relocate into suitable accommodation, families who are located on land required for other purposes, do not qualify for a housing subsidy, or affected by a disaster.

Key Issues - Solutions being developed to implement this initiative.



12) HOUSING STATISTICS AND INFORMATION: Deal with ongoing enquiries for statistics and information related to housing delivery by other Business Units; research information.

Strategic Objectives - To meet the operational requirements of Council.

Key Issues - Up to date data base now in place, but information required is sometimes additional to the data in the data base.

ANALYSIS OF THE FUNCTION:

| 1. Number and cost of all personnel associated with provision of municipal housing: | NUMBER | R (000s) |
|---|--------|----------|
| • Professional (Directors / Managers) | 2 | |
| • Professional (Architects/Consultants) | 1 | |
| • Field (Supervisors/Foremen) | 8 | |
| • Office (Clerical/Administration) | 14 | |
| • Non-professional (blue collar, outside workforce) | 11 | |
| • Temporary | 0 | |
| • Contract | 1 | |
| Total | | 7056 |

| 2. Number and total value of housing projects planned and current: | NUMBER | R (000s) |
|--|--------|----------|
| • Current (financial year after year reported on) | 13 | 80000 |
| • Planned (future years) | 12 | 10000 |

| 3. Total type, number and value of housing provided: | NUMBER | R (000s) |
|--|--------|----------|
| Low Income Housing | 2550 | 76600 |
| Social Housing | 0 | 0 |
| Total number and total value of housing provided during financial year | 2550 | 76600 |

| 4. Total number and value of rent received from municipal owned rental units | NUMBER | R (000s) |
|--|--------|----------|
| | 367 | 653 |

| 5. Estimated backlog in number of (and costs to build) housing: | NUMBER | R (000s) |
|---|--------|----------|
| Low Income Housing | 11310 | 622050 |
| Social Housing | 2000 | 480000 |
| CRU -Affordable Rental | 3000 | 720000 |
| Bank Charter Housing - Affordable to middle income | 3000 | 900000 |
| Service Stands | 2000 | 100000 |
| Total number should appear in IDP, and cost in future budgeted capital housing programmes | 31310 | 2200000 |



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| | | |
|--|-----------------|-------|
| 6. Type of habitat breakdown: | NUMBER | |
| • number of people living in a house or brick structure | 81746 | |
| • number of people living in a traditional dwelling | 26775 | |
| • number of people living in a flat in a block of flats | 13960 | |
| • number of people living in a town/cluster/semi-detached group dwelling | 3030 | |
| • number of people living in an informal dwelling or shack | 3870 | |
| • number of people living in a room/flatlet | 4650 | |
| 7. Type and number of grants and subsidies received: | R (000s) | |
| KZN Department of Housing | <total> | 76600 |
| 8. Total operating cost of housing function (excl. Sales) | R (000s) | |
| | 52 | |

PERFORMANCE HIGHLIGHTS:

| Key Performance Area | Performance During the Year, Performance Targets Against Actual Achieved and Plans to Improve Performance | Target | Actual | Variance |
|---------------------------------------|--|--------|--------|----------|
| Basic & Sustainable Service Delivery | IDP Goal/Objective: Construct at least 2500 low income houses per annum. | 2500 | 2550 | +50 |
| | Reason for Variance: Escalation funding was received and house construction continued as planned for the whole year. | | | |
| | Improvements for Next Year: Continue as before - Aim to improve systems for lost beneficiaries | | | |
| Socio-Economic Development and Growth | IDP Goal/Objective: Create 350 jobs in housing projects | 350 | 700 | +350 |
| | Variance between Planned & Actual Performance (if any): Local labour was employed on projects total of 70082 man days. Taking an average of about 5 months per job (i.e. 100 man days) this translates to about 700 jobs. Variance is 350 jobs over target. | | | |
| | Reason for Variance: Implementing Agents have trained community members and now using them on building projects, as well as security officers, site clerks and Community Liaison Officers. | | | |
| | Improvements for Next Year: Continue the good work. | | | |



| Key Performance Area | Performance During the Year, Performance Targets Against Actual Achieved and Plans to Improve Performance | Target | Actual | Variance |
|--|--|----------------|----------------|----------------|
| Municipal Financial Viability & Management | IDP Goal/Objective: Reduce <u>debt</u> on rentals collected from tenants in Council Housing Rental Stock by 30%. | R(000s) | R(000s) | R(000s) |
| | Variance between Planned & Actual Performance (if any): Rentals collected have reduced year-on-year. All attempts to reduce debt on rentals collected have failed. | 2352 | 3625 | 1273 |
| | Reason for Variance: 1) Tenants not happy with 15% rent increase per annum to reach market related rentals as required by National Legislation and therefore, stopped paying rent. Not yet resolved, but some progress achieved with legal process. 2) Protection for defaulting tenants from the PIE Act and Rental Housing Tribunal have prevented officials from taking action against tenants. 3) The recession over the last 12 to 18 Months. | | | |
| | Improvements for Next Year: Renew attempts to get legal solution to the problem. | | | |
| Good Governance & Public Participation | IDP Goal/Objective: Full participation of community projects through Project Steering Committees (PSC's). | 6 | 6 | - |
| | Variance between Planned & Actual Performance (if any): Nil | | | |
| | Reason for Variance: N/A | | | |
| | Improvements for Next Year: To continue establishing PSC's for all new projects. | | | |

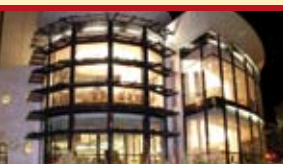


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40sqm houses that are currently being built in Willowfountain EE (Phase 2)



Opening of the Signal Hill Development



5.4.3 Sub Function: DEVELOPMENT PLANNING

OVERVIEW:

This Unit is responsible for development planning and forward (strategic) planning of a spatial nature.

DEVELOPMENT PLANNING

The following tables illustrates number of development applications received on 2008/2009

| Key Performance Area | Performance During the Year, Performance Targets Against Actual Achieved and Plans to Improve Performance | | | |
|--|---|-----------------------|--|---|
| Social and Economic Development and growth | Applications Outstanding | Category | Number of new Applications Received 2008/2009 | Applications being processed as at 30 June 2009 |
| | 01-Jul-08 | | | |
| | Nil | Residential New | 5 | 2 |
| | Nil | Residential additions | 3 | nil |
| | 4 | Commercial | 27 | 5 |
| | 2 | Industrial | 13 | 3 |
| | 2 | Other | 44, (this include places of worship, place of instruction, office establishment, establishment of sports club, relaxation of site spaces and so forth) | 11 |
| | | Building Plans | 1399 | 171 |
| | Total | | 1447 | 192 |
| | Improvements for next year : Investigations commenced with MetGov. | | | |

PERFORMANCE HIGHLIGHTS

| Key Performance Area | Performance During the Year, Performance Targets Against Actual Achieved and Plans to Improve Performance | Target | Actual |
|----------------------|---|--------|--------|
| Sound Governance | Training | | |
| | There are currently six town planners in this Business Unit, all of whom are graduates from tertiary institutions. Staff are encouraged to enhance their knowledge to keep abreast of new trends and developments, through further education. | | |
| | Reason for variance: Budgetary constraints | | |
| | Improvements for next year: Budgetary provision | | |
| Sound Finance | Grants received | | |
| | No grants were received on this Financial Year. | | |



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| Key Performance Area | Performance During the Year, Performance Targets Against Actual Achieved and Plans to Improve Performance | | |
|--|---|------|--|
| Sound Governance | Unauthorized uses | | |
| | Reported | 1449 | |
| | Inspected | 513 | |
| | Section 77 Notices issued | 301 | |
| | Application to regularise | 150 | |
| | Seized operations | 52 | |
| | Note: There has been a marked increase in the number of complaints regarding unauthorized uses. | | |
| | Interns/ Temps | | |
| Sound Governance | Two interns were again recruited for the in-service training programme this year. The programme is designed to expose Trainees with professional qualifications to acquire hands-on knowledge in the actual workplace by liaising with all role players. They are mentored by the Town Planners in the Unit. We also have employed three Town Planners on a temporary basis. | | |
| | Challenges | | |
| Sound Governance | The challenge facing this Unit, is the ability to attract qualified and experienced Town Planners. Other Institutions and the Private Sector is paying more than this Organisation. | | |
| | Improvements for next year: Budgetary provision / skills allowances / grading/ recruitment of additional staff. | | |
| Social and Economic Development & Growth | Urban Development Zones | | |
| | Background to the UDZs and the Tax Incentive | | |
| | The UDZ tax incentive is directed at the stimulation of the regeneration of declining urban areas, in targeted inner city areas across South Africa, and the encouragement of economic development. At the end of 2003, a tax incentive in respect of the erection, extension, addition or improvement of buildings demarcated within Urban Dev. Zones in respect of South Africa, including Pietermaritzburg, was signed into law. The Pietermaritzburg UDZ was gazetted on 0 June 2005. | | |
| | Achievements | | |
| | Total number of applications from 01/07/2008 to 30/06/2009 = 4 (four). | | |
| | Total estimated amount spent by the applicants on development from 01/07/2008 to 30/06/2009 = R 3 500 000-00 (three million, five hundred thousand rands). These new developments resulted in an increase of income to the City. | | |
| | The total estimated number of jobs created = 150 (one hundred and fifty). | | |
| Social and Economic Development & Growth | Entities that raised queries with regard to the tax incentive were approximately 5 (five). | | |



| Key Performance Area | Performance During the Year, Performance Targets Against Actual Achieved and Plans to Improve Performance | | |
|--|--|-------------------------|-------------------------------------|
| Community Participation and Social Economic Development & Growth | Forward Planning | | |
| | The Msunduzi Municipal Spatial Development Framework (SDF) : 20078/2009 | | |
| | Progress on the Spatial Development Framework | | |
| | An abbreviated version of the Draft Spatial Development Framework report in English and Zulu was placed in numerous venues, like municipal offices, libraries and community halls, around the city. It was accompanied by a map of the municipal area which illustrated the development proposals described in the report. The availability of information and opportunity for members of public to acquaint themselves with and comment on the draft SDF was reinforced by a public meeting. The public was invited to attend a presentation of the draft SDF when the project consultants were available to deal with questions and comments. After the period of public consultation all comments were assembled, their implications for change to the SDF was assessed and implemented where considered appropriate. The final report tabulates all comments and responses. A number of adjustments were also made in the light of information from a project preparing an Environmental Management Framework for the municipality. The final SDF report and map will be submitted to the Executive Committee during August 2009 for approval and adoption into the municipal IDP. | | 95% Complete |
| | | Projected Budget | |
| Community Participation and Social Economic Development & Growth | Proposals for the new financial year: | | |
| | • Land Use Scheme. Draft Terms of Reference have been prepared for proposals from service providers to prepare a municipal-wide Land Use Scheme. It is anticipated that the project will have been allocated to the preferred consultancy by December 2009 and will be concluded shortly after the end of the 2009/2010 financial year. | | • R200 000 (R100 000 from DLGTA) |
| | • SDF Review 2010/2011. Draft Terms of reference are also being prepared for proposals to undertake the next SDF review. The focus will be on closing gaps left by the most recent review, pursuing local area alignment between national, provincial, district and local government and on monitoring and evaluating implementation of the framework. | | • R250 000 |
| | • Physical Development Framework. Several areas of the municipality have been identified in the SDF review for more detailed plans, referred to as Physical Development Framework (also known as Local Area Plans). The availability or accessibility of resources will determine how many of those areas can be dealt with during the coming financial year. A small amount of grant funding, which will supplement the municipal budget, has been provided by the province but one or possibly two areas may need to be prioritised to be able to use the limited resources available. | | • R250 000 |
| Avg per Month | 2609456.083 | | 1887759.417 |



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5.4.4 Sub Function: REAL ESTATE & VALUATION

Description of the Activity:

- The function of Real Estate includes the sale and letting of Council owned property in terms of Councils disposal policy.
- The function of valuations is to establish and maintain the Municipal Valuation Roll for rating as well as establishing the market value of properties to be sold or let.
- The strategic objectives of these functions are to secure rates income from all properties in the valuation roll and to promote development within the Msunduzi Municipal Area in line with the spatial development framework and integrated development plan.

Analysis of the Function:

| | |
|---|------------------|
| Number of leases being administered | 603 |
| Income received from rentals | R 7 886 051 |
| | |
| The following sales are in progress up to | 30/6/2009 |
| | |
| New England Road Hotel site | R 1 000 000 |
| Hollingswood housing development | 15% of net sales |
| Liberty Mall Phase 3 | R 8 550 000 |
| Eden Vision Hospital | R 5 700 000 |
| Masons Mill Shopping Centre | R 7 980 000 |
| Qokololo Shopping Centre | R 9 120 000 |
| Hindu Society Ghat | R 2 109 000 |
| | |
| Total number of properties in Val Roll | 91,456 |
| Total value of properties in Val Roll | R 48 196 000 000 |
| Number of properties not previously rated | 482 |
| Number of objections lodged | 8831 |

| Key Performance Area | Performance During the Year, Performance Targets Against Actual Achieved and Plans to Improve Performance | Current | Target |
|--|---|---------|--------|
| Municipal Financial Viability & Management | IDP Goal/Objective: Compilation of Valuation Roll | 100% | 100% |
| | Variance between Planned & Actual Performance (if any): Nil | | |
| | Reason for Variance: N/A | | |
| | Improvements for Next Year: N/A | | |
| Municipal Financial Viability & Management | IDP Goal/Objective: Maintenance of Valuation Roll | 100% | 100% |
| | Variance between Planned & Actual Performance (if any): Nil | | |
| | Reason for Variance: N/A | | |
| | Improvements for Next Year: N/A | | |



5.5 COMMUNITY SERVICES

5.5.1 Sub Function: Public Safety: Traffic & Security

OVERVIEW:

To alleviate Traffic congestion and to protect the council properties.

DESCRIPTION OF THE ACTIVITY:

1. To reduce the risk of accidents;
2. To provide for the free flow of Traffic;
3. To provide services to our Msunduzi communities;
4. To provide Road Traffic Education Programmes;
5. To implement pro active road safety strategies;
6. Programmes to reduce road Traffic collisions;
7. To maintain and control our budget efficiently;
8. To protect the council property; and,
9. To control and monitor the informal traders and the informal settlement from using unauthorised land for their use.



**DMM: Community Services
Zwe Hulané**

ANALYSIS OF THE FUNCTION:

| | Number | R (000s) |
|---|--------|------------|
| 1. ARRESTS | | |
| Driving under the influence of alcohol | 210 | |
| Warrant of arrest executed | 2551 | |
| 2. IMPOUNDED VEHICLES | | |
| Obstruction, Abandoned, Unlicensed vehicles, False reg plates, False clearance cert, unroadworthy and suspended vehicles | 1147 | |
| 3. ESCORTS | | |
| Funerals, Abnormal loads and minister's escorts | 962 | |
| 4. ACCIDENTS | | |
| Number of injuries, badly damage, Injuries, Deaths and Patrol vehicles involved in collision | 558 | |
| 5. HEAVY MOTOR VEHICLES/PROSECUTION | | |
| Ohrtmann road, Echo road, Willow snacks and Kenilworth | 115 | |
| 6. COMPLAINTS | | |
| Parking, roadworks, speed, broken down vehicles, road signs, traffic signals, fun runs, N3 closure, marches, obstructions and stray cattles | 1258 | |
| 7. FINANCIAL STATEMENT | | |
| Traffic fines, sundries, towing away services, and impounding fees | | 11 215 173 |
| 8. WARRANT OF ARRESTS INCOME | | |
| Warrant of arrest for 12 months | | 2 151 260 |
| 9. TAXI PERMIT | | |
| Taxi permit for 12 months | | 199 248 |
| 10. Number of all personnel associated with Public Safety: | | |



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| | Number | R (000s) |
|---|------------|-------------|
| Manager | 1 | |
| Principal Administrative Officer | 1 | |
| Senior Traffic Superintendent | 1 | |
| Senior Security Superintendent | 1 | |
| Traffic Superintendent | 4 | |
| Security Superintendent | 3 | |
| Field (Inspectors Traffic) | 9 | |
| Filed (Inspectors Security) | 11 | |
| Traffic Officers | 61 | |
| Security Officers | 132 | |
| Office(clerical/Administration) | 22 | |
| Visible police officers on the street | yes | |
| Volunteer | no | |
| Temporary | 2 | |
| Summons Servers | 4 | |
| Contract Reserve Traffic Wardens | 110 | |
| 11. Call outs attended | | |
| Emergency call outs | 69 | |
| Standard call outs | 426 | |
| 12. Average response time | | |
| Emergency call outs | 10 minutes | |
| Standard call outs | 20 minutes | |
| 13. Operating budget | | |
| Operating cost of police and traffic function | | R78 000 000 |



5.5.2 Sub Function: Area Based Management

OVERVIEW:

Includes all activities associated with the provision area base management service to the community.

DESCRIPTION OF THE ACTIVITY:

The area base management responsibilities of the municipality are administered as follows and include:

These services extend to include the 5 managerial areas of the Msunduzi Municipality which resides within the jurisdiction of Msunduzi Municipality's Vulindlela, Imbali, Edendale, Northern, Central and Eastern Areas.

The strategic objectives of this function are to:

- Increasing community participation.
- Improving service delivery
- Forming a link between communities and local government.
- Poverty alleviation

ANALYSIS OF THE FUNCTION:

| 1. Number and cost to employer of all ABM personnel: | Number | R (000s) |
|--|-----------|----------------|
| • Management | 6 | 2602861.8 |
| • Professional / technical/Facilitators | 11 | 1988781.48 |
| • Office (Clerical/Administration) | 4 | 389655.72 |
| • Temporary | 8 | 242088 |
| TOTAL | 29 | 5223387 |

| | | |
|---|----|--|
| 2. Number of self help projects facilitated and assisted: | 21 | |
|---|----|--|

| | | |
|---|-------------|--|
| 3. Total number of households assisted relating to Disaster Management: | 74 families | |
|---|-------------|--|

PERFORMANCE HIGHLIGHTS:

| Key Performance Area | Performance During the Year, Performance Targets Against Actual Achieved and Plans to Improve Performance | Achievements |
|--|---|--|
| Good Governance & Public Participation | Initiative: Attend to service delivery queries from communities. | Ongoing in all wards. Facilitated 51 queries attended by different SBUs |
| | Improvements for Next Year: Improved ABM recognition by SBUs | |
| Municipal Financial Viability & Management | Initiative/s: Relocation of 58 families; Botanic Gardens Revitalization Project; Municipal Gel distribution; House for disabled person; Facilitated the existence of Sinenhlanhla Sivananda Disabled Group and Building; Siyazenzela Project (Poverty Alleviation Project) with Department of KZN Transport, KZN Public Works and Municipality | 7 people are permanently employed. Ward 33 |



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| Key Performance Area | Performance During the Year, Performance Targets Against Actual Achieved and Plans to Improve Performance | Achievements |
|--|--|--|
| Good Governance & Public Participation | Initiative: Fundraising for Masakhane Creche in Thembalihle. | R250 000 was received from donors |
| Good Governance & Public Participation | Initiative/s: IDP & Budget Izimbizo; Valuation roll; Formation of Ward Committees | |
| Good Governance & Public Participation | Initiative/s: Formation of Development Structures for councillors and officials; Establishment of the Multi-Purpose Centre for France; Facilitate some Network infrastructure to Vulindlela satellite offices. | Imbali and Edendale, functioning structures. |

Masakhane Creche



5.5.3 Sub Function: Fire & Rescue Service

OVERVIEW:

Provide a fire, rescue and humanitarian aid service

DESCRIPTION OF THE ACTIVITY:

The function of provision of a fire & rescue service within the municipality is administered as follows and includes:

1. Firefighting, rescue & humanitarian aid (24/7 service from 3x fire stations, viz. Central, Oribi & Airport)
2. Crisis Communications Centre (24/7 emergency call-centre)
3. Fire prevention & protection
4. Fire training academy & public education

These services extend to include the uMgungundlovu District Municipality Fire Service's emergency communications and control, but do not take account of the firefighting & rescue service which resides within the jurisdiction of the fire stations in the District.

The municipality has a mandate: to receive all emergency calls, dispatch resources and record data of incidents for the District.

The strategic objectives of this function are to:

- a) prevent the outbreak or spread of a fire;
- b) fighting or extinguishing a fire;
- c) the protection of life or property against a fire or other threatening danger;
- d) the rescue of life or property from a fire or other danger;
- e) the performance of any other function connected with any of the matters referred to in paragraphs;

The key issues for 2008/2009 are:

1. Appointment of additional 36 firefighter staff
2. Replacement of obsolete vehicles and equipment
3. Compliance with relevant SANS fire standards and ACAA legislation

The Dynamic, Caring Capital City of Choice in KZN

ANALYSIS OF FUNCTION:

| 1. Number and cost to employer of all personnel associated with policing and traffic control: | Number | R (000s) |
|---|--------|--------------|
| Professional (senior management): Chief Fire Officer | 1 | |
| Principal Administrative Officer | 1 | |
| Operations Manager (Deputy Chief Fire Officer) | 1 | |
| Senior Divisional Officer | 4 | |
| Divisional Officer | 4 | |
| Station Officer | 23 | |
| Firefighter | 64 | |
| Office(clerical/Administration) | 7 | |
| General worker | 4 | |
| Volunteer | no | |
| Temporary | 2 | |
| Total cost for all staff | 123 | R 17,957,802 |

| 2. Total annual number of call-outs attended: | Number | R (000s) |
|---|--------|----------|
| Fire rescue call-outs | 1427 | |

| 3. Average response time to call-outs: | | |
|---|-----------|--------------|
| Emergency call outs | 8 minutes | |
| Number and total operating cost of fire engines servicing population: | 33 | R 696,000 |
| - Aged less than 10 years | 6 | R 126,000 |
| - Aged 10 years or greater | 27 | R 569,000 |
| Note: this figure should be taken from the plant replacement schedule | | |
| Total operating cost of Fire & Rescue function function | | R 30,569,797 |



Performance Highlights:

| Key Performance Area | Performance During the Year, Performance Targets Against Actual Achieved and Plans to Improve Performance |
|--------------------------------------|---|
| Basic & Sustainable Service Delivery | IDP Goal/Objective: To decentralize fire stations. |
| | Variance between Planned & Actual Performance (if any): decentralisation of fire stations could not be achieved due to lack of capital & operating budget. |
| | Improvements for Next Year: Should our Business Unit be provided with sufficient funds, the 2008/2009 objectives will be realized. |
| Basic & Sustainable Service Delivery | IDP Goal/Objective: To fill critical vacant firefighter posts |
| | Variance between Planned & Actual Performance (if any): process to fill posts started but delayed due to HR issues. |
| | Improvement for the next year: should the process be successful then the posts will be filled. |
| Basic & Sustainable Service Delivery | IDP Goal/Objective: public awareness basic life safety program |
| | Variance between Planned & Actual Performance (if any): program in place but insufficient operational budget for implimentation of all strategies |
| | Improvement for the next year: Improvement could be achieved provided that the budget is provided |



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5.5.4 Sub Function: Parks, Sport and Recreation

OVERVIEW:

This sub unit is divided into four functions, namely: Horticulture, Conservation & Environment, Sport & Recreation and Support Services.

DESCRIPTION OF THE ACTIVITY:

The function and management responsibilities of Parks, Sport & Recreation are as follows:

- (i) **HORTICULTURE:** Maintenance and development of parks, open spaces, play lots, cemeteries, road islands, city entrances in the city. Planting and maintenance of street trees. Initiate garden projects. Urban Agriculture (ploughing).
- (ii) **SPORT & RECREATION:** Maintenance, development and management of all municipal sports facilities including swimming pools. Management provision and hire of halls. Hosting and attracting major events (events coordination). Sports development.
- (iii) **CONSERVATION & ENVIRONMENT:** Management, maintenance and development of conservation areas. Burning and control of fire breaks.
- (iv) **SUPPORT SERVICES:** Management of Cemeteries and Crematoria. Provide an administrative support service (human resources, finance, secretarial, Information control and assets control).

The services of Horticulture, Sport and Recreation, Conservation and Environment and Cemeteries and Crematoria is provided within the jurisdiction of the Msunduzi Municipality.

The strategic objectives of this function are to:

- Promote sustainable social development
- Basic services
- Environment

The key issues for 2008/2009 are:

- Provision of regional parks and upgrading of sports facilities;
- Lack of parks and passive recreation areas in disadvantaged areas;
- Lack of burial space (new cemetery);
- Crematoria are old resulting in down time and high maintenance cost;
- Lack of proper facilities to hold major events in the city (Indoor Sports Complex.); Poverty eradication- creating labour intensive works programmes (grass cutting, agriculture and farming projects).

ANALYSIS OF FUNCTION:

| 1.Number and cost to employer of all Parks, Sport and Recreation staff | Number | R (000s) |
|--|------------|-------------------|
| • Professional (Managers) | 5 | 2 158 250 |
| • Field (Supervisors/Groundsman etc) | 46 | 8 598 141 |
| • Office (Clerical/Administration) | 16 | 3 095 797 |
| • Non-professional (brush cutter operators, tractor drivers etc) | 322 | 32 174 593 |
| • Temporary | 4 | 553 866 |
| • Contract | 30 | 1 649 079 |
| TOTAL | 423 | 48 239 726 |



| | |
|--|------------|
| 2. Total operating cost of Parks, Sport and Recreation (2008/2009) | 76 187 410 |
| 3.Total number of users (hall facilities) | 1 000 000 |
| 4.Total number of users (pool facilities) | 120 000 |
| 5.Total number of users (sporting facilities) | 4 000 000 |

Performance Highlights:

| Key Performance Area | Performance During the Year, Performance Targets Against Actual Achieved and Plans to Improve Performance |
|-------------------------------|---|
| BASIC SERVICES | IDP Goal/Objective: New cemetery to accommodate burials for 50 years |
| | Actual Performance Achieved 2008/2009: Development of Hollingwood cemetery (50000 Burials) approx: 10 years burial space. Work in progress |
| | Variance between Planned & Actual Performance: Need to acquire land for future burial space for 50 years |
| | Reason for Variance: Land Issue Sobantu Residents .Insufficient land |
| | Improvements for Next Year: Need to plan for other cemeteries to accommodate burials in Edendale area. |
| ECONOMIC & SOCIAL DEVELOPMENT | IDP Goal/Objective: 25000 Seater soccer stadium |
| | Actual Performance Achieved 2008/2009: Upgraded Harry Gwala Stadium, work in progress |
| | Variance between Planned & Actual Performance: Incomplete, Roof on South side stand and new stands on East and West sides with roof. |
| | Reason for Variance: Insufficient funds |
| | Improvements for Next Year: Secure additional funding to complete stands and roof. |
| ECONOMIC & SOCIAL DEVELOPMENT | IDP Goal/Objective: All sports facilities and halls maintained to an acceptable standard |
| | Actual Performance Achieved 2008/2009: One sport facility and hall in Vulindlela has been refurbished |
| | Variance between Planned & Actual Performance: Unable to complete all the repairs in the sports facilities as planned; Ntembeni |
| | Reason for Variance: Insufficient funds |
| | Improvements for Next Year: Secure funding to complete planned maintenance on sports and hall facilities |
| BASIC SERVICES | IDP Goal/Objective: 'State of the art' crematoriums |
| | Actual Performance Achieved 2008/2009: Refurbishment of Cremator no2 completed. |
| | Variance between Planned & Actual Performance: Cremator no1 still needs to be refurbished or replaced |
| | Reason for Variance: Insufficient funds |
| | Improvements for Next Year: Replace Cremator no1 or refurbish once funds are available |



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| Key Performance Area | Performance During the Year, Performance Targets Against Actual Achieved and Plans to Improve Performance |
|-------------------------------|---|
| ECONOMIC & SOCIAL DEVELOPMENT | IDP Goal/Objective: Poverty eradication/Integrated maintenance programme |
| | Actual Performance Achieved 2008/2009: Created opportunities for employment. Temporary grass cutting programme |
| | Variance between Planned & Actual Performance: Integrated maintenance programme not achieved |
| | Reason for Variance: Insufficient funds to employ more temps to clean gutters and pick up litter and grass cutting |
| | Improvements for Next Year: Increase capacity temporary grass cutting programme |

Harry Gwala Stadium under construction



5.5.5 Sub Function: Health & Social Services (Clinics)

OVERVIEW:

Twenty two Msunduzi Municipal Clinics provide holistic and comprehensive Primary Health Care to all Msunduzi Municipal residents.

DESCRIPTION OF THE ACTIVITY:

Comprehensive Primary Health Care which includes:

- Minor Ailments
- Chronic Services
- Family Planning
- Ante-natal Care
- Post Natal Care
- Access to ARVs and VCT
- TB
- Child Health
- Psychiatric care at certain clinics

The strategic objectives of this function are to:

To maintain quality health care within the Msunduzi Municipality.

The key issues for 2008/2009 are:

Increase access to Anti retroviral and increase the cure rate & decrease defaulter rate in TB patients.

ANALYSIS OF THE FUNCTION:

| | | |
|--|---------------|-----------------|
| 1. Number and cost to employer of all health personnel: | Number | R (000s) |
| • Professional (Doctors/Pharmacist) | 2 | R1 008 211 |
| • Professional (Managers & Deputies) | 3 | R1 005 725 |
| • Professional (Nurses & EN's) | 69 | R14 948 798 |
| • Non-professional (Clerical / Administrative) | 31 | R3 500 723 |
| • Para-professional (ENA's) | 2 | R301 744 |
| • Temporary | 10 | R1 241 985 |
| • Contract | 0 | 0 |
| 2. Number, cost of public, private clinics servicing population: | Number | R (000s) |
| • Public Clinics (Run by municipality) | 22 | R25 830 403 |
| • Private Clinics (owned by private, fees based) | None | N/A |
| 3. Total annual patient head count for service provided by the municipality: | Number | |
| • 65 years and over | 566 890 | |
| • between 40 and 64 years | | |
| • between 15 and 39 years | | |
| • 14 years and under | | |
| 4. Total operating cost of health (clinic) function: | R26 586 236 | |



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PERFORMANCE HIGHLIGHTS:

| Key Performance Area | Performance During the Year, Performance Targets Against Actual Achieved and Plans to Improve Variance |
|----------------------|---|
| BASIC SERVICES | IDP Goal/Objective: Improve access to ARVs by having a ARV initiation site at Central City Clinic |
| | Actual Performance Achieved 2007/2008: 2 clinics are presently ARVs collection sites |
| | Variance between Planned & Actual Performance (if any): |
| | Improvements for Next Year: Initiation ARV site at Central City Clinic and collection of ARVs at Willowfountain Clinic and Masons Clinic |
| BASIC SERVICES | IDP Goal/Objective: To improve the cure rate and reduce defaulter rate of those on TB treatment |
| | Actual Performance Achieved 2007/2008: Cure rate remained low and Defaulter rate high during 2007 |
| | Variance between Planned & Actual Performance (if any): TB Cure rate should be 85% but for 2007 was 49.2%. The defaulter rate should be 0% but was 17.1% for 2007. |
| | Reason for Variance: Ineffectual approach to current TB Crisis |
| BASIC SERVICES | Improvements for Next Year: Employment of additional staff dedicated to TB |
| | IDP Goal/Objective: To increase the number of people testing for HIV. |
| | Actual Performance Achieved 2007/2008: Approximately 116200 people of all ages tested for HIV in 2008 at our Msunduzi Municipal Clinics |
| | Variance between Planned & Actual Performance (if any): |
| BASIC SERVICES | Improvements for Next Year: An increase in the number of people testing for HIV |
| | IDP Goal/Objective: Create a continuum of care for all clients from birth to the aged. |
| | Actual Performance Achieved 2007/2008: Clients are offered a comprehensive package of Primary health care which encompasses all aspects of health needs |
| | Variance between Planned & Actual Performance (if any): |
| BASIC SERVICES | Improvements for Next Year: Improve the quality of care to all. |
| | IDP Goal/Objective: To improve accessibility to health care |
| | Actual Performance Achieved 2007/2008: Central City Clinic has extended thier hours of opening and now opens at 0630 Hours. |
| | Variance between Planned & Actual Performance (if any): |
| BASIC SERVICES | Improvements for Next Year: Open Zwartkop Road Clinic five days a week. Presently residents in Prestbury have a clinic for 4 hours a week |



5.6 INFRASTRUCTURE SERVICES

5.6.1 Sub Function: Bulk Water Management, Water Supply and Reticulation, Water Drainage

OVERVIEW:

The Water Services Delivery Unit is, in the main, responsible for the bulk water purchase, distribution, monitoring and control of water, as the Water Services Authority. The Unit is also responsible for the provision of sanitation services and operating a small sewage treatment works.

DESCRIPTION OF THE ACTIVITY:

The water purchase and distribution functions of the municipality are administered as follows and include:

1. Management of the Water Services Authority (WSA) function; design, construction and maintenance of new reticulation mains, reservoirs and pump-stations.
2. The Bulk water function is administered through a Bulk Water Services Agreement with Umgeni Water for the provision of bulk treated water
3. In-house design, construction and maintenance of water distribution assets. Due to capacity constraints and the increased capital budget, the Sub-Unit does less than 20% of the design and construction in-house, and the rest is outsourced to competent service providers. In line with ASGISA desired outcomes, the Sub-Unit subcontracts most of its work to emerging contractors and engages local community for the provision of labour.

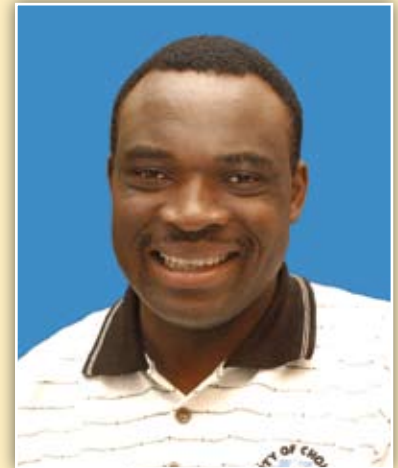
The services extend to include: the whole of the Msunduzi area including Vulindlela (excluding Maintenance and Operating costs until the "handover" of this area from Umgeni Water to the Msunduzi Municipality is complete).

THE STRATEGIC OBJECTIVES OF THIS FUNCTION ARE TO:

- To improve operational effectiveness;
- Improve cost recovery for Water;
- Ensure that water quality for all consumers meets and surpasses the minimum quality standards in SABS 240;
- Supply all households with a basic water supply and the poor with free basic supply in accordance with DWAF Strategic Guidelines;
- Reduce water losses;
- maintain the existing infrastructure;
- Ensure the provision of the water service is sustainable.

THE KEY ISSUES FOR 2008/09

- To effectively manage the Council's Free Basic Water Policy;
- To implement the asset management plan within the financial constraints
- To reduce water losses to a realistically acceptable level;
- To extend and upgrade the water supply reticulation;
- To provide opportunity for customers to step up the water ladder i.e. higher level of service.



DMM: Infrastructure, Services and Facilities
Philemon Mashoko



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ANALYSIS OF THE FUNCTION:

| | | |
|--|---------------|-----------------|
| 1. Number and cost to employer of all personnel associated with the water distribution function: | | R (000s) |
| • Professional (Directors / Managers) | 1 | 367 |
| • Professional (Engineers/Consultants) | 3 | 662 |
| • Field (Supervisors/Foremen) | 3 | 535 |
| • Office (Clerical/Administration) | 57 | 7,671 |
| • Non-professional (blue collar, outside workforce) | 6 | 731 |
| • Temporary | 117 | 7,679 |
| • Contract | | |
| TOTAL | 187 | 17,645 |
| 2. Percentage of total water usage per month | VOLUME | % |
| Jul | 4 460 372 | 8.05 |
| Aug | 4 261 774 | 7.69 |
| Sep | 4 681 991 | 8.45 |
| Oct | 3 889 089 | 7.02 |
| Nov | 4 389 346 | 7.92 |
| Dec | 4 818 133 | 8.69 |
| Jan | 4 655 983 | 8.40 |
| Feb | 4 772 794 | 8.61 |
| Mar | 4 510 408 | 8.14 |
| Apr | 4 857 205 | 8.76 |
| May | 4 943 579 | 8.92 |
| Jun | 5 185 570 | 9.36 |
| Note: this will therefore highlight percentage of total water stock used per month | 55 426 244 | 100.00 |
| 3. Total volume and cost of bulk water purchases in kilolitres and rand, by category of consumer | VOLUME | R (000s) |
| Msunduzi Municipality | 55 426 244 | 172,564 |
| 4. Total volume and receipts for bulk water sales in kilolitres and rand, by category of consumer: | | |
| domestic | 10 033 096 | 89,596 |
| rebate 24.08 | | |
| rebate 7.93 | | |
| flats/simplexes | 1 990 799 | 16,763 |
| out of borough | 104 | 0.001 |
| commercial | 8 136 686 | 76,403 |
| commercial non rebateable | 15 716 | 182 |
| builders | 139 149 | 1,613 |
| churches | 162 470 | 1,493 |
| clubs | 199 356 | 2,311 |
| dept | 500 587 | 4,390 |
| standpipes | 611 863 | |



| | | |
|---|---------------|-----------------|
| standpipes(reversals) | VOLUME | R (000s) |
| low cost housing | 12 294 513 | |
| low cost housing (reversal) | | |
| domestic indigent | 4 862 587 | |
| rebate indigent | | |
| domestic rebate indigent auto | 369 132 | |
| indigent | | |
| rebate 6kl | | |
| Total volume and receipts for bulk water sales in kilolitres and rand | 39 316 058 | 192,751.001 |
| 5. Total volume and receipts for bulk water sales in kilolitres and rand, by category of consumer: | | |
| Total year-to-date water losses in kilolitres and rand | | |
| | 10 413 860 | 32,423 |
| 6. Number of households with water service, and type of service: | TOTAL | |
| • Piped water inside dwelling | 79 439 | |
| • Piped water on community stand: distance < 200m from dwelling | 11 195 | |
| • Piped water on community stand: distance > 200m from dwelling | 17 593 | |
| • Spring | 412 | |
| 1. Number of new connections: | | |
| | 356 | |
| 2. Number of disconnections and reconnections: | | |
| | 9 234 | |
| 3. Number of water projects planned and current: | TOTAL | R(000s) |
| • Current (financial year after year reported on) | 16 | 21,000 |
| • Planned (future years) | 23 | |
| 4. Anticipated expansion of water service: | NUMBER | |
| • Piped water inside dwelling | 550 | |
| • Piped water on community stand: distance < 200m from dwelling | 1 500 | |
| • Piped water on community stand: distance > 200m from dwelling | 1 500 | |
| Note: provide total number of households anticipated to benefit and total additional operating cost per year to the municipality | | |
| 5. Estimated backlog in number of water connections: | | |
| • Piped water inside dwelling | 28 788 | |
| • Piped water on community stand: distance < 200m from dwelling | 9 695 | |
| • Piped water on community stand: distance > 200m from dwelling | 16 093 | |
| 6. Free Basic Service Provision: | | |
| • Quantity (number of households affected) | 38 567 | |
| • Quantum (value to each household) | 4 602 | |
| FBW is provided to any resident whose consumption is less than 6kl and is not registered as an indigent. If a consumer is not registered as an indigent, and consumers more than 6kl of water per month, no FBW is provided to that consumer. However, a registered indigent consumer enjoys a preferential rate for any consumption above 6kl. | | |



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| | | |
|--|---|-----------------|
| 7. Type and number of grants and subsidies received: | | R (000s) |
| EQUITABLE SHARE | 1 | 116 026 |
| 8. Total operating cost of water distribution function | | 268 527 |

PERFORMANCE HIGHLIGHTS:

| Key Performance Area | Performance During the Year, Performance Targets Against Actual Achieved and Plans to Improve Performance | Current | Target | Variance |
|----------------------|---|--------------|--------|----------|
| BASIC SERVICES | IDP Goal/Objective: Water loss Reduction | 19 | 12 | + 31% |
| | Actual Performance Achieved 2008/2009: +31% | | | |
| | Variance between Planned & Actual Performance (if any): 7% | | | |
| | Reason for Variance: Improvement is due to Asset renewal & Pressure reduction. | | | |
| | Improvements for Next Year: Water demand management project | | | |
| BASIC SERVICES | IDP Goal/Objective: Provide basic water supply | 5 | 10 | -5 |
| | Actual Performance Achieved 2008/2009: 10 | | | |
| | Variance between Planned & Actual Performance (if any): 5 | | | |
| | Reason for Variance: Project delays | | | |
| | Improvements for Next Year: Project will be implemented using internal capacity and labour for the community as part EPWP. | | | |
| BASIC SERVICES | IDP Goal/Objective: Asset Renewal and Water loss reduction | 5 504m | 4 000m | + 1 504 |
| | Actual Performance Achieved 2008/2009: N/A | | | |
| | Variance between Planned & Actual Performance (if any): N/A | | | |
| | Reason for Variance: N/A | | | |
| | Improvements for Next Year: N/A | | | |
| BASIC SERVICES | IDP Goal/Objective: Complete WSDP and report to council | Under review | | |
| | Actual Performance Achieved 2008/2009: | | | |
| | Variance between Planned & Actual Performance (if any): | | | |
| | Reason for Variance: | | | |
| | Improvements for Next Year: WSDP to adopt new DWA format | | | |
| BASIC SERVICES | IDP Goal/Objective: Replace and install new consumer meters. | | 1 000 | |
| | Actual Performance Achieved 2007/2008: | | | |
| | Variance between Planned & Actual Performance (if any): | | | |
| | Reason for Variance: | | | |
| | Improvements for Next Year: | | | |



5.6.2 Sub-Function: Roads & Transportation

OVERVIEW:

The Construction & Reconstruction Sub-Unit is responsible for the design and construction of the roads network, drainage and stormwater systems within the Msunduzi's area of jurisdiction. The Provincial Department of Transport and the uMgungundlovu District are responsible for the construction and maintenance of Provincial roads and District roads respectively.

The Municipality adopted three minimum level standards of roads, ie. gravel roads, gravsealed / black base roads and asphalt surfaced roads. An analysis that was conducted has indicated that the backlogs in road maintenance are directly proportional to the standard level of the road with huge backlogs in Edendale and Vulindlela which are served by graded and gravel roads. The Municipality has consciously therefore adopted a strategic position that seeks to further reduce road maintenance backlog by upgrading the minimum level of service for any new roads from gravel to surfaced roads. In 2007/08 the new level of service adopted for the roads and approved by Council were as follows:

- Graded main arterial roads for informal settlements;
- Concrete lined drains and surfaced roads with adequate drainage provision for semi-urban and rural housing developments;
- Concrete lined drains and surfaced roads with adequate drainage for urban development.

There are still huge backlogs for construction of new roads and upgrading of gravel roads in Greater Edendale and Vulindlela. The Municipality's priority on roads rehabilitation and construction is dealing with backlogs in the previously disadvantaged areas and providing relatively reasonable funding for the maintenance of existing roads.

The previously disadvantaged areas of Greater Edendale and Vulindlela continue to lag behind in the construction of surfaced roads. The Municipality has recently completed the upgrading of fourteen roads in Vulindlela and Edendale at a total cost of R145, 95 m.

RITCHIE ROAD ACCESS TO REFUSE SITE



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MARTINS WAY-BEFORE UPGRADING



MACHIBISA/DAMBUZA ROADS (HARRY GWALA RD) – DURING UPGRADING



APPLICATION OF BLACK BASE IN POYINANDI ROAD – DURING UPGRADING



DESCRIPTION OF THE ACTIVITY:

The road maintenance programme for all areas within the jurisdiction boundary of Msunduzi Municipality, except Vulindlela, which is the responsibility of the KZN Department of Transport (KZN DoT), include the following activities:

1. Planned Maintenance [Operating Budget]:

- [a] Pothole Repairs & Crack Sealing - 6 construction units [7 employees per unit]
- [b] Verge Infrastructure Maintenance - 7 construction units [7 employees per unit]
- [c] Stream Overgrowth Clearing - There are 2 dedicated construction units [5 employees per unit]. These units react to situations where potential flood risk exist.
- [d] Catchpit Clearing - 6 construction units [7 employees per unit]
- [e] Railways - 1 construction unit [7 employees]. An annual contract is engaged to undertake specialized work like distressing of rails, replacing of sleepers & fasteners, removal of skid marks, repairing and greasing of joints and turn-outs and screening of ballast.
- [f] Road Weed Control Spraying - 2 units [3 employees per unit]. This function continues to be a grey area of function as it is perceived to be a Parks and Recreation expertise.
- [g] Gravel Road Maintenance - 3 construction units. Four local emerging contractors were engaged to assist in order expediting the maintenance of gravel roads in the Vulindlela area. They undertook gravelling of approximately 17,0 km of gravel road by shaping and placing a 100 mm of G5 type of material and compact the layer in place to a total cost of approximately R1,6 mill. A number of local jobs were also created during this process. This proved to be very successful that this Sub-Unit decided to formulate a annual supply contract for the purpose of maintenance of gravel roads. This will be a tool used to target and engage these emerging contractors for future work.

The road maintenance is undertaken internally by construction units created for this purpose. However, continued shortage of staff and high loss of staff through retirement and death, makes it difficult to maintain stable construction units which meet the Occupational Health and Safety requirements.



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The two units are engaged mainly in the central city and react where streams are affecting public amenities such as schools shopping centres, etc. In the previous financial year, community members were engaged to undertake this function in Edendale. However, this was discontinued in in this financial year because of some logistical challenges that were encountered. As a result, due to huge backlogs in road and stormwater maintenance, more reactive work has been carried out as opposed to the planned maintenance work.

The Municipality employed 140 temporal workers for fifteen working days to undertake cleaning of stormwater catchpits, channels and outlet structures. Over and above this, a total of 96 contractors were engaged under Zibambebe (self-help) project. These workers were recruited from communities where this work was carried out. Also, a vactor unit was hired to assist in clearing of blocked stormwater pipes in the Greater Edendale, Central and Northern areas.

2. Pavement Management System [PMS] [Resurfacing] Capital

Specialist consultants were engaged to undertake a condition assessment of the whole road network of Msunduzi and develop an Asset Management Plan (AMP). The AMP was completed in 2008 and now serves as a guide for future road construction and maintenance.

Resurfacing of roads is a function that is outsourced to specialist contractors through annual supplies contracts. In 2008/9, the programme for resurfacing of roads, i.e. in the CBD area (e.g. a section of Langalibalele Road), in Northern area and in the Greater Edendale, was successfully completed to a total amount of approximately R5,2 mil. However, this amount is not near enough the required meaningful budget of R15,0 mil per annum, estimated to eradicate the backlog of asset renewal programme as per the abovementioned Asset Management Plan. It must be noted that without the abovementioned required annual budget, roads are going to continue to deteriorate rapidly.

The PMS covers all Pietermaritzburg suburbs, CBD and Greater Edendale. For Greater Edendale only roads that belong to the Municipality are part of the PMS programme. The Department of Transport [DoT] is responsible for all provincial and district roads that traverse the area.

3. Upgrading of Gravel Roads, Stormwater, Bridges & Rail Lines under the Capital Budget

The Municipality embarked on a gravel road upgrading [including bridges] programme especially in the previously under-developed areas of Greater Edendale and Vulindlela. Due to huge backlogs, communities are requested to prioritize upgrading of roads in their areas through their Councillors and Mayor's Izimbizo. The priorities are thereafter included in the IDP and then planning and design is done by the Roads Sub-Unit.

The Infrastructure Services and Facilities Business Unit adopted model of planning, design and tendering in the first year, and implementation in the subsequent years. This has worked in past financial years, although it has not yet been perfected.

In 2008/9 financial year, approximately twenty project were completed in that period by Construction and Reconstruction Sub-Unit. These projects included, inter alia, upgrading of seventeen gravel roads in Greater Edendale and Vulindlela areas; construction of kerbing, storm-water drainage channels and paving of sidewalks; and implementation of thirty five (35) approved traffic calming measures - see a comprehensive list of completed projects below. Construction of roads is undertaken by external contractors through Council approved procurement process with some outsourced and internal supervision.



4. Roads to serve New Developments [Capital]

To encourage and facilitate development, the Municipality has adopted a "user pays" principle which allows investors to go ahead with their developments provided they have adequate funding for infrastructure services. This means that investors pay for their investment initiatives and the Sub-Unit continues to facilitate and/or create an enabling environment for such initiatives to succeed. If the road being developed is a public road serving many other community services, the Municipality would contribute financially and/or by making available land for development.

Be that as it may, the Sub-Unit is embarking on road capacity expansion and new major road developments. A transportation plan has been developed to provide indicative road extension, expansion and new road requirement priorities. The Spatial Development Framework which is being developed is critical for providing an indicative future developmental scenario.

5. Planning Function

The planning activities include developing transportation plans, public transport plans, road safety plans, road infrastructure investment plans, design for road infrastructure and conducting feasibility studies for various options. The Sub-Unit makes it mandatory for all projects to comply with the provisions of the Environmental Management Act by conducting Environmental Impact Assessments when required to do so. These abovementioned five key activities extend to the "so-called" old Pietermaritzburg, Greater Edendale and Vulindlela. In terms of roads, Vulindlela also resides within the jurisdiction of provincial government which also plans and constructs roads. The Municipality liaises with the KZN Department of Transport [KZNDOT] in addressing problems in Vulindlela in an integrated way.

The strategic objectives of this function are to:

The strategic objectives of this function is to ensure that the existing road networks within the Municipality's area of jurisdiction are maintained at useable levels whilst simultaneously upgrading sub standard infrastructure and constructing new links to support new development.

The key activities for 2008/09 are:

- [a] Complete design of thirteen gravel road upgrades in Edendale, namely Shayamoya Road, Martins Way, Short Retreat and 9 Dambuza/Machibisa Roads;
- [b] Upgrading of roads to Level of Service 1 - constructed road layer works and asphalt surfacing in terms acceptable pavement design e.g. Cartalog Design Method, etc.
- [c] Upgrading of gravel road to Level of Service 2 - black base surfacing on various number of roads, namely Poyinandi Road in Snathingji, Mazambane Road in Caluza T/ship, Dambula Road in Harewood, and Waterworks Road in Smero.
- [d] Continue with programme of obtaining a solution to inadequate funding for roads;
- [e] Finalize the design of Chota Motala Road/N3 Interchange upgrading in conjunction with SANRAL;
- [f] Finalize Road Asset Management Plan; and
- [g] Improve road safety through implementation of interventions such as traffic calming measures, improve on signage, etc.

The key issues for the 2008/9 financial year were to complete thirteen designs, complete some twenty projects which included upgrading of various gravel roads, as follows:

- i) The completion of the designs, procurement procedures, and commencement with the construction of the following roads: Nine (9) Dambuza/Machibisa Roads, Shayamoya Road in eNhlazatshe, Martins Way in eSmero, Short Retreat Road in Emkondeni, Ritchie Road access to a Refuse site.



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ii) Completion of construction for the following projects:

1. Georgetown Township internal Roads - 2,0 km to a total amount of R6 663 671.
2. D1123 - 3,8 km in Vulindlela to a total amount of R8 647 383.
3. D1123 - 3,5 km in Vulindlela to a total amount of R5 815 892.
4. D1133 - 3,6 km in Vulindlela to a total amount of R8 456 989.
5. Unit TT internal roads - 3,0 km to a total amount of R9 804 072.
6. Bulwer Road - 2,0 km to a total amount of R6 154 804.
7. Unit RR internal roads - 3,2 km to a total amount of R8 958 925.
8. D1127 - 4,2 km in Vulindlela to a total amount of R30 198 936.
9. D2151 - 3,0 km in Vulindlela to a total amount of R13 673 539.
10. D1125 - 4,0 km in Vulindlela to a total amount of R12 283 553.
11. D1131 - 3,5 km in Vulindlela to a total amount of R18 910 678.
12. D1137 - 1,1 km in Vulindlela to a total amount of R4 888 096.
13. Unit P Internal Roads - 10,4 km to a total amount R8 600 000.
14. Upgrade Morcom Road to a black base surfacing - 0,7 km in Vulindlela to a total amount of R895 605.

iii) Upgrade the following roads:

1. Upgrade of 0,6 km gravel roads to double seal surfacing in Machibisa, to an amount of R405 015,
2. Upgrade 0,9 km of Unit T (T14, T15 & T16) to a total amount of R1 110 806
3. Upgrade of Gravel Roads Edendale, Moscow (Roads :B22, B26, and B27) Phase 2 - Construction of roads to black top surface to an amount of R 641 700.

iv) Other projects

1. Gravelling of Various Roads in Vulindlela approx. 17 km to a total amount of R1 600 000
2. New footpaths - Golf Road, Enoch Sontanga, Gorgia, Neptune/Suray, Olympia, Madurai, Ramatha, Grix, Chetty/Nolliah, Dheli, & Springvale Roads - total 2,75 km; and kerbing and channels in Steb-hisi Road, Mpumelelo Road 1 and Mpumelelo Road 2 to total 2,64 km to a total amount of R1 743 040.
3. Desilting of Sedimentation Basin to an amount of R5 420 000.

Analysis of the Function:

| 1. Number and cost to employer of all personnel associated with road maintenance and construction: | Number | R (000s) |
|--|------------|----------------|
| Professional (Directors / Managers) | 3 | R1,176 |
| Professional (Engineers / Consultants) | 6 | R1,836 |
| Technicians (Chief, Principal, Senior & Tech) | 13 | R2,607 |
| Field (Supervisors, Foremen & Supervisor) | 67 | R8,917 |
| Office (Clerical / Administration) | 16 | R1,968 |
| Non-Professional (Blue Collar, Outside Workforce) | 217 | R14,270 |
| Temporary (140 SWD cleaning for 16 working days) | 140 | R179 |
| Contract (96 Zibambebe contract employees) | 96 | R496 |
| Total | 322 | R31,449 |



| | | |
|---|-------------|-----------------|
| 2. Total number, kilometres and total value of road projects planned and current: | KM's | R (000s) |
| New bitumenised (Upgraded to asphalt surface) | 49,5 | R119,400 |
| Gravesal / Black base | 2,5 | R2,500 |

| | | |
|--|-------------|----------------------------|
| 3. Total kilometres and maintenance cost associated with existing roads provided | KM's | Total Budget 2007/8 |
| Surfaced Roads [Planned Maintenance Operating] | 1 238 km | R10,87 m |
| Gravel Roads [Planned Maintenance Operating] | 425 km | R4,84 m |

| | | |
|--|--|-------------------------------|
| 4. Average desirable frequency and cost of re-surfacing roads [PMS] | | Total Budget per Annum |
| Surfaced [once every 10 years Capital Programme] | | R15 m |
| Gravel [4 times/year Operating Programme incl. Vulindlela Area] Although Vulindlela roads are under the jurisdiction of the KZNDoT, the Municipality remains undated with requests from Councillors and other members of public for the maintenance of the roads in that area which this Sub-Units is undertaking at adhoc. There are no funds allocated for this purpose which means that already limited resources dedicated for Msunduzi roads are further curtailed in order to respond to some of these requests. | | R10 m |

| | | |
|---|-------------|-----------------|
| 5. Estimated upgrading backlogs showing kilometres/number and capital cost. | KM's | R (000s) |
| • Tar | 44 | R67,500 |
| • Gravel | 912 | R1,740 000 |

| | | |
|---|--|--------|
| 6. Total operating cost of road construction and maintenance function | | R43,84 |
|---|--|--------|



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PERFORMANCE HIGHLIGHTS:

| Key Performance Area | Performance During 2006/07, Performance Targets Against Actual Achieved and Plans to Improve Performance | Actual | Target |
|------------------------------|---|--------|--------------------------------------|
| Sustainable Service Delivery | IDP Goal / Objectives: To provide an acceptable Planned Maintenance Programme for Roads & Stormwater | | Completion of Planned Mtce Schedules |
| | Potholes Repairs & Crack Sealing | 10% | |
| | Verge Infrastructure Maintenance (Mostly reactive maintenance) | 8% | |
| | Stream Overgrowth Clearing (This function has been curtailed only reactive) | 70% | |
| | Catchpit Clearing | 40% | |
| | Railways | 90% | |
| | Road Weed Control Spraying (Grey function area. Perception is that this function must be moved to Parks Section) | 100% | |
| | Gravel Road Road Maintenance | 100% | |
| | Reason for Variance: The Planned Maintenance in most areas do not meet the targets due to under funding at budget time and excessive reactive work. Continued staff losses and not replaced is adding to underperformance most certain areas. Gravel road maintenance improved in 2008/9 because local emerging contractors were engaged to undertake this maintenance in Vulindlela area. However additional funding made available to clear overgrowth causing blockages, equated to a length of approx. 12 km of watercourse cleaning. Furthermore, the inlets & outlets, 88 bridges and culverts were also de-silted and cleared of overgrowth. A total number of 1000 catchpits & outlets and approx. 300m of channels were cleared in various Wards by 140 temporary employees for a period of 15 working days, in Greater Edendale. | | |
| | Improvements for Next Year: Plans to improve this situation relate to increased funding, outsourcing of some of the work, employ additional staff to improve service delivery and improved operational techniques. | | |
| Sustainable Service Delivery | IDP Goal / Objective: To reduce the backlog in road upgrading by 100 km per annum. | 49,5km | 100km |
| | Reason for Variance: Project cycle of design and implement in one year is unrealistic. 2007/8 saw the introduction of a multi-year project cycle for planning, design and construction (i.e. two years). This financial year was dedicated to the completion of designs, procurement of contractors and commencement of construction in the last half of the financial which roll-over to 2008/9 financial year. | | |
| | Improvements for Next Year: Adopt a 2 year project cycle, i.e. designs in the first year, and construction in years 2 and 3 (i.e. for big and complicated projects), and seek further funding, eg. MIG. | | |



| Key Performance Area | Performance During 2006/07, Performance Targets Against Actual Achieved and Plans to Improve Performance | Actual | Target |
|--|--|-----------------|---------------------------|
| Sustainable Service Delivery | IDP Goal / Objective: Completion of the designs and commencement with construction of the thirteen gravel road upgrades projects and completion of further fifteen projects which had already completed designs, as follows: Design, internally, of 9 Machibisa/Dambuza Roads, Shayamoya Road, Martins Way, Ritchie access Road, & Short Retreat. Completion of D1123, D1132, D1133, D2151, D1127, D1137, D1131, D1125, Unit T [Phase 1], Moscow Road-Phase 2, Unit RR, Georgetown, Unit T (phase 2), Unit P and Bulwer roads. | 28 | 8 |
| | Reason for Variance: Out of a target of 8 roads to be upgraded, 28 projects were undertaken. The projects were slightly behind due in terms of completion. The adoption of the multi-year project cycle is improving service delivery in the Business Unit. | | |
| | Improvements for Next Year: Continue with more road designs through utilisation of any funding that might be available. | | |
| | Improvement for Next Year: Apply for MIG funding for all planned and designed road projects. | | |
| Sustainable Service Delivery | IDP Goal / Objective: Construct 25 traffic calming measures in various wards | 35 | 25 |
| | Reason for Variance: Above target | | |
| | Improvement for Next Year: Incorporate traffic calming measures for all new roads in the road construction contract. However, 35 calming measure were constructed in 2008/9. | | |
| Sustainable Service Delivery | Access to basic services: Roadmarking and signage reinstatement is carried out each year, but inevitably it is not possible to adhere to the planned programme due to reactive work requested by Councillors and the public. | ± 70% of target | (as per annual programme) |
| Community Participation | Customer and People Focus: Traffic calming sites are chosen in consultation with the public and Councillors. However, limited funding restricts amount that can be implemented. 45 calming measures were approved in 2008/9 FY | 45 | 24 |
| Social & Economic Development & Growth | Create job opportunities: Approximately 140 temporal workers were employed to undertake maintenance of stormwater kerb-inlet and channels. This Sub-Unit is planning to increase this number in future. In addition to this number, 96 Zibambebe contract employees were engaged in 2008/9 FY. A total of 20 jobs were created under outsourced maintenance contracts. Jobs created by Capital Investment Projects are not included in herewith. | 256 | - |



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5.6.3 Sub-Function: ELECTRICITY DISTRIBUTION

OVERVIEW:

Msunduzi Electricity Unit is, in the main, responsible for the bulk electricity purchase, distribution, monitoring and control of electricity in the license area of supply.

DESCRIPTION OF THE ACTIVITY:

The electricity purchase and distribution functions of the municipality are administered as follows and include:

1. Management of the Electricity function including the design, construction and maintenance of new reticulation, electricity networks, substations, and streetlights.
2. The Bulk Electricity function is administered through a Bulk Electricity Purchase Agreement with Eskom for the provision of bulk electricity.
3. In-house design, construction and maintenance of electricity distribution assets. In line with ASGISA desired outcomes, the Sub-Unit subcontracts most of its work to emerging contractors and engages local community for the provision of labour.

THE STRATEGIC OBJECTIVES OF THIS FUNCTION ARE TO:

- To ensure accessibility and sustainability to basic levels of service by all residents in Pietermaritzburg in a fair and equitable manner.
- To ensure adequate maintenance of the infrastructure services provided by the Municipality.
- To facilitate economic development by providing appropriate, timely and adequate infrastructure services to all investors and residents within Pietermaritzburg.
- To ensure customer satisfaction through the provision of efficient and effective infrastructure services.

THE KEY ISSUES FOR 2007/2008 ARE:

- Electrification of formalised settlements and identified informal settlements;
- Refurbishment of Pine street Substation with New Switchgear and Transformers;
- Purchasing of new Transformers for Northdale substation;
- To reduce Electricity non Technical losses to a realistically acceptable level

THE KEY ISSUES FOR 2007/2008 ARE:

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- Refurbishment of Pine street Substation with New Switchgear and Transformers;
- Purchasing of new Transformers for Northdale substation;
- To reduce Electricity non Technical losses to a realistically acceptable level



ANALYSIS OF THE FUNCTION:

| | | |
|--|---------------|-----------------|
| 1. Number and cost to employer of all personnel associated with the electricity distribution function: | NUMBER | R (000s) |
| • Professional (Directors / Managers) | 2 | 845 |
| • Professional (Engineers/Consultants) | 1 | 257 |
| • - Field (Supervisors/Foremen) | 70 | 10,025 |
| • Office (Clerical/Administration) | 31 | 3,938 |
| • Non-professional (blue collar, outside workforce) | 132 | 7,963 |
| • Technicians (all levels) | 21 | 4,047 |
| • Contract | 0 | 0 |

| | | |
|--|---------------|-----------------|
| 2. Total quantity and cost of bulk electricity purchases in kilowatt hours and rand. | KwH | R (000s) |
| - Residential, Commercial, Industrial | 1 679 141 913 | 420 119 222 |

| | | |
|--|----------------------|--------------------|
| 3. Total quantity and receipts for bulk electricity sales in kilowatt hours and rand, by category of consumer: | KwH | R (000s) |
| • Household | 434 354 734 | 187 536 030 |
| • Mining, Industrial, Commercial | 1 073 399 557 | 439 970 473 |
| TOTAL | 1 507 754 291 | 627 506 503 |

| | | |
|---|-------------|-----------------|
| 4. Total year-to-date electricity losses in kilowatt hours and rand | KwH | R (000s) |
| | 171 387 622 | |

| | | |
|---|--------------|-------------|
| 5. Number of households with electricity access, type, and cost of service: | | |
| Detail | Total | Cost |
| • Electrified areas | 74500 | |
| • Municipal | 16367 | |
| • Eskom | 65978 | |
| • Non electrified - Gel | 5000 | 1682707 |

| | | |
|--|---------------|-----------------|
| 6. Number and cost of new connections: | NUMBER | R (000s) |
| | 1000 | 6,500 |

| | | |
|--|---------------|-----------------|
| 7. Number and total value of electrification projects planned and current: | NUMBER | R (000s) |
| • Current (financial year after year reported on) | 2 500 | 13,300 |
| • Planned (future years) | 2 500 | 15,000 |

| | | |
|--|---------------|-----------------|
| 8. Anticipated expansion of electricity service: | NUMBER | R (000s) |
| | 200 | 0,600 |



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| | | |
|--|---------------|-----------------|
| 9. Estimated backlog in number (and cost to provide) electricity connection: | NUMBER | R (000s) |
| | 3 500 | 25,000 |
| 12. Number and total operating cost of streetlights servicing population: | NUMBER | R (000s) |
| | 20836 | 3 409 977 |
| 13. Total number of kilowatt hours consumed by all street lighting for year | NUMBER | R (000s) |
| | 10753112 | R1 368 203 |

PERFORMANCE HIGHLIGHTS:

| Key Performance Area | Performance During the Year, Performance Targets Against Actual Achieved and Plans to Improve Performance | | |
|----------------------|---|-------------------|---------------------------|
| BASIC SERVICES | IDP Goal/Objective: | | |
| | Actual Performance Achieved 2007/2008: | | |
| | Variance between Planned & Actual Performance (if any): | | |
| | Reason for Variance: | | |
| | Improvements for Next Year: | | |
| | Ward | Project | No. of connections |
| | 20 | smero | 134 |
| | 15 | fedsam | 213 |
| | 20 | harewood | 150 |
| | 14 | willowfountain | 222 |
| | 5 | emvundlweni | 226 |
| | 3 | mthoqotho | 73 |
| | 4 | kwashange | 65 |
| | 16 | KwaPata | 139 |
| | 18 | Unit BB | 156 |
| | 11 | snathing | 248 |
| | 22 | unit 3 (qokololo) | 130 |
| | 20 | caluza | 79 |



5.6.3 SUB-FUNCTION: FLEET MANAGEMENT

OVERVIEW

Management and Maintenance of Council's Fleet of vehicles and heavy plant.

DESCRIPTION OF THE ACTIVITY

The Management and Maintenance responsibilities of City Fleet are administered as follows and include:

- 1) Fleet Administration;
- 2) Fleet Maintenance; and,
- 3) Fleet Control.

THE STRATEGIC OBJECTIVES OF THE FUNCTION ARE TO:

- 1) Assess the Fleet for optimum replacement;
- 2) Purchase correct replacement vehicles;
- 3) Economical Maintenance and repair of vehicles;
- 4) Sound Management and Control of vehicles; and,
- 5) Disposal of vehicles.

The key issues for 2008/2009 are:

- 1) Zero budget for vehicle replacements;
- 2) Average age of Fleet increased, thus maintenance costs have increased;
- 3) Lack of operational control of drivers is resulting in abuse and accelerated wear and tear of Council vehicles; and,
- 4) Vacancies hindering service delivery.

ANALYSIS OF THE FUNCTION

| 1. Number and cost to employer of all personnel associated with Fleet Management: | NUMBER | R (000s) |
|---|--------|----------|
| - Professional (Directors / Managers) | 4 | 1459 |
| - Professional (Engineers/Consultants) | 0 | 0 |
| - Field (Supervisors/Foremen) | 4 | 968 |
| - Office (Clerical/Administration) | 13 | 1734 |
| - Non-professional (blue collar, outside workforce) | 106 | 14098 |
| - Temporary | 13 | 1248 |
| - Contract | 0 | 0 |

| 2. Total number and cost of active vehicle tracking units fitted : | NUMBER | R (000s) |
|--|--------|----------|
| - Active vehicle tracking units (number) | 41 | 246 |

| 3. Estimated backlog in fitment of active tracking units: | NUMBER | R (000s) |
|---|--------|----------|
| - Active vehicle tracking units (number) | 583 | 3 500 |



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| 4. Estimated backlog in replacement of vehicles: | NUMBER | R (000s) |
|--|--------|----------|
| - Critical Vehicles to be replaced in 2008/9 | 286 | 79 748 |

PERFORMANCE HIGHLIGHTS

| Key Performance Area | Performance During the Year, Performance Targets Against Actual Achieved and Plans to Improve Performance |
|--|---|
| Municipal Institutional Development & Transformation | IDP Goal/Objective: Implementation of CAMIS |
| | Actual Performance Achieved 2008/2009: Computerised Management Information system has been installed at all satellite workshops, enabling up to date asset register and costs of each vehicle. |
| | Variance between Planned & Actual Performance (if any): On-going training is required to protect data integrity. |
| | Reason for Variance: Staff vacancies and acting. |
| | Improvements for Next Year: Vacancies to be filled & training. |
| Institutional Transformation | IDP Goal/Objective: Fleet Management Implementation Plan |
| | Actual Performance Achieved 2008/2009: Contract for a Section 78 assessment awarded. |
| | Variance between Planned & Actual Performance (if any): Not completed |
| | Reason for Variance: Budgetary constraints and Union intervention. |
| | Improvements for Next Year: Funds are available in 2009/10. |



CHAPTER SIX: REPORT ON THE MUNICIPAL INFRASTRUCTURE GRANT

MIG PROGRAMME ANNUAL REPORT : 2008/09

Overall, the MIG programme spent R175,838,131 (99,09%) of its 2008/09 budget.

This included R73,879,970 (99.38%) of its MIG budget plus R101,958,161 (98.88%) of Council funding that was allocated to MIG projects.

1. At the beginning of the financial year, National Treasury expressed its intention to reallocate funds from 'non-spending' municipalities in November 2008 so the Msunduzi Municipality MIG programme was set up to spend its entire MIG allocation by the end of September 2008 and use the reallocated funds to replace a major portion of the Council funds allocated to MIG projects. This reallocation didn't happen. It was promised again in February 2009 by which time the Msunduzi Municipality was ready to receive and spend (before the end of the MIG financial year) ±R70,000,000. This also never happened. The failure to reallocate these funds was a major disappointment for the Msunduzi Municipality.
2. Once again, because of Eskom's policy of insisting on payment up front for projects it undertakes on behalf of the municipality in its area of supply, it proved impossible to get the Edendale and Vulindlela Street Lighting projects off the ground.
3. The roads programme was essentially completed by the end of the financial year so although it turned out to be very expensive for the municipality, the delivery of 14 surfaced roads projects was of great benefit to previously deprived communities.
4. The delivery of R56,063,497 worth of VIPs in Vulindlela represented significant progress towards eliminating basic sanitation backlogs in that area. This backlog should be completely eliminated during the 2010/11 financial year.

| COUNCIL EXPENDITURE ON MIG PROJECTS : 2008/09 | | | |
|---|------------|-------------|----------|
| PROJECT | BUDGET | EXPENDITURE | VARIANCE |
| Rehabilitation of District Road 2151 (L1831) | 3,499,092 | 3,499,090 | -2 |
| Unit RR | 2,681,208 | 2,681,207 | -1 |
| Rehabilitation of District Road 1125 PH 2 | 6,883,890 | 6,883,890 | 0 |
| Unit T | 3,492,288 | 3,492,288 | 0 |
| Georgetown | 1,880,681 | 1,880,681 | 0 |
| Machibisa Dambuza | 4,800,000 | 4,653,664 | -146,336 |
| Bulwer - Azalea | 228,263 | 228,262 | -1 |
| Rehabilitation of District Road D1127 | 14,402,521 | 14,340,242 | -62,279 |
| Rehabilitation of District Road D1131 | 11,390,322 | 11,240,750 | -149,572 |
| Rehabilitation of District Road D1137 | 352,583 | 350,113 | -2,470 |
| Shenston Roads & Water | 1,974,850 | 1,974,849 | -1 |
| Taylors Halt | 319,594 | 319,593 | -1 |
| | - | 0 | 0 |
| Cnl Rehabilitation of Road D1123 | 2,385,225 | 2,110,572 | -274,653 |
| Cnl Rehabilitation of Road D1133 | 455,681 | 455,681 | 0 |
| Cnl Rehabilitation of Road D1132 | - | 0 | 0 |



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| COUNCIL EXPENDITURE ON MIG PROJECTS : 2008/09 | | | |
|---|--------------------|--------------------|-------------------|
| PROJECT | BUDGET | EXPENDITURE | VARIANCE |
| Cnl Unit P | 4,793,170 | 4,792,245 | -925 |
| Cnl Sanitation Infrastructure Feasibility Study | 21,000 | 21,000 | 0 |
| Cnl Elimination of Conservancy Tanks | 1,817,336 | 1,817,336 | 0 |
| Cnl Rehabilitation of sewer infrastructure | 1,203,397 | 1,050,570 | -152,827 |
| Cnl Vulindlela VIP Construction - Phase 2 | 35,504,095 | 35,441,968 | -62,127 |
| Cnl Edendale Proper New Mains & Reticulation | - | - | 0 |
| Cnl Edendale Proper New Mains & Reticulation | 155,534 | 144,926 | -10,608 |
| Cnl Midblock Water & Sewer Eradication | 2,435,450 | 2,434,786 | -664 |
| Cnl Basic water Supply Edendale | 1,041,116 | 778,561 | -262,555 |
| Cnl Sewer Unit H | 400,000 | 391,404 | -8,596 |
| Cnl Sanitation Sewer Azalea | 1,000,000 | 974,483 | -25,517 |
| Cnl Elimination of Water Tankers | 0 | 0 | 0 |
| | | | 0 |
| TOTALS | 103,117,296 | 101,958,161 | -1,159,135 |

| MIG EXPENDITURE : 2008/09 | | | |
|---|------------|-------------------|-----------|
| PROJECT | BUDGET | EXPENDITURE (MIG) | VARIANCE |
| Rehabilitation of Road D1123 | 3,000,000 | 3,000,000 | 0 |
| Upgrade of Vukindela Road D1123 - 3.5km | 19,050 | 19,050 | 0 |
| Rehabilitation of Road D1133 | 2,940,254 | 2,940,254 | 0 |
| Rehabilitation of Road D1132 | 1,403,468 | 1,396,217 | (7,251) |
| Unit P | 7,970,628 | 7,970,628 | 0 |
| Sanitation Infrastructure Feasibility Study | 0 | - | 0 |
| Elimination of Conservancy Tanks | 3,052,433 | 2,874,148 | (178,285) |
| Rehabilitation of sewer infrastructure | 960,000 | 957,254 | (2,746) |
| Rehabilitation of sewer infrastructure | 9,300 | 9,300 | 0 |
| Vulindlela VIP Construction - Phase 2 | 20,609,735 | 20,609,735 | 0 |
| Vulindlela VIP Construction - Phase 2 | 11,794 | 11,794 | 0 |
| Edendale Proper New Mains & Reticulation | 0 | - | 0 |
| Edendale Proper New Mains & Reticulation | 1,176,709 | 1,169,497 | (7,212) |
| Edendale Proper New Mains & Reticulation | 25,822 | 25,822 | 0 |
| Midblock Water & Sewer Eradication | 2,293,393 | 2,263,235 | (30,158) |
| Midblock Service Erad (Sob,Imbali,Ashdown) | 2450 | 2,450 | 0 |
| Basic water Supply Edendale | 300,000 | 300,000 | 0 |
| Basic water Supply Edendale | 6,350 | 6,350 | 0 |
| Taylors Halt MPCC | 287,680 | 287,680 | 0 |
| Mig Rehabilitation of Road D2151(L1831) | 5,433,614 | 5,433,614 | 0 |



| MIG EXPENDITURE : 2008/09 | | | |
|---|-------------------|-------------------|------------------|
| PROJECT | BUDGET | EXPENDITURE (MIG) | VARIANCE |
| Mig Unit RR | 3,150,290 | 3,150,290 | 0 |
| Mig Rehabilitation of Road 1125 PH 2 | 1,677,054 | 1,468,009 | (209,045) |
| Mig Unit T | 2,682,269 | 2,682,269 | 0 |
| Mig Georgetown | 2,469,232 | 2,468,977 | (255) |
| Mig Machibisa Dambuza | - | - | 0 |
| Mig Bulwer - Azalea | 3,037,789 | 3,037,788 | (1) |
| Mig Rehabilitation of District Road D1127 | 7,375,059 | 7,375,059 | 0 |
| Mig Rehabilitation of District Road D1131 | 1,213,792 | 1,213,792 | 0 |
| Mig Rehabilitation of District Road D1131 | 48,902 | 48,902 | 0 |
| Mig Rehabilitation of District Road D1137 | 1,298,635 | 1,298,634 | (1) |
| Mig Rehabilitation of District Road D1137 | 2,469 | 2,469 | 0 |
| Mig Shenstone Ambleton Rds & Water | 1,818,337 | 1,818,336 | (1) |
| Mig Edn Street Lighting Ph3 | 0 | - | 0 |
| Mig Vulindela Street Lighting Ph3 | 0 | - | 0 |
| Mig Moses Mabhida MPCC | 22,683 | - | (22,683) |
| Mig KwamGwagwa Roads 1 & 2 | 11,277 | 9,879 | (1,398) |
| Mig KwamGwagwa Roads 3 | 32,929 | 28,538 | (4,391) |
| TOTALS | 74,343,397 | 73,879,970 | (463,427) |



SAFE CITY ANNUAL REPORT FOR YEAR 2008/2009

PURPOSE OF REPORT

Quoting from MFMA Circular No.11, MFMA No 56 Of 2003, the following:

"Every municipality and municipal entity must prepare an annual report for each financial year in accordance with the Municipal Finance Management Act (MFMA) and, during the MFMA transitional period, the Division of Revenue Act and the Municipal System Act 2000.

"The purpose of the annual report is:

- To provide a report of the activities of the municipality or entity;
- To provide a report on performance in service delivery and budget implementation; and
- To promote accountability to the local community

CHAPTER 1: INTRODUCTION AND OVERVIEW

SAFE CITY CHAIRPERSON'S REPORT

Another successful year of containing crime in the Pietermaritzburg Central District; another year of co-operation with SAPS and the NPA and financial support from the PMB/Msunduzi Municipality as well as from Business, through Business Fighting Crime. As the grandfather and originator of the project, Des Winship, my predecessor and first Chairman said last year, and the years before that "the results reflect the contribution of Safe City's successful operation". This really is a wonderful story and a tribute to his vision.

Our 70 cameras around the City and the monitoring control room manned 24/7 by the staff of IVision (our contracted partners) as well as SAPS is truly impressive. It is something of which the City and all of us should be proud and contribute to making us the City of Choice.

Business Fighting Crime, Pietermaritzburg is administered by the Pietermaritzburg Chamber of Business; both are not-for-profit registered organizations whose Boards of Directors are appointed to provide an honorary service to the community. Both organizations support the Safe City operation in many ways, both financial and advisory; Safe City Board members likewise act in an honorary capacity and have given many hours of service in the cause of reducing the incidence of crime in Pietermaritzburg.

We are, as the Chairman said last year, trying to maintain the latest technology, however this is proving more complex as our operating budget has again been restricted to the budget we were given more than two years ago. It is all very well to grant welcome capital expenditure requests for future development in Edendale or the Harry Gwala stadium (in prospect) or the Freedom Square taxi rank (which have been installed) but the screen coverage and manning of those screens cannot be overlooked. Restricting our monthly "grants" is now beginning to threaten our operating efficiency.

However, we are all extremely proud of our viewing successes – of our contribution towards the identification and arrest of suspects; and with our partnership between SAPS and the NPA of an improving conviction rate. We have impressed SAPS nationally with our coverage of major Trials and the City management with our coverage of the Municipal strike which led to the apprehension of some strikers. Our mobile camera has proved extremely useful in some previously "uncovered" areas and for marketing our operation at the Royal Show – so much so that we need to consider further mobile cameras for future high profile events or destinations where SAPS may be experiencing sudden spikes in criminal activities.



We are the first designated Municipal Entity of the Msunduzi Municipality, yet since our designation and our contract with the Municipality was signed we remain extremely concerned about the lack of representation of City Councillors or Senior officials on our Board. Although Mr Kenny Chetty, the Head of Municipal Security was nominated and welcomed to our Board we believe the nomination of at least one Councillor and a senior official from Treasury would improve communications and understanding between Council, the Municipality and our operations.

Another work-in-progress involves once a month meetings between SAPS and the NPA where the progress of our "Screen footage" from the camera room and the corresponding dockets from SAPS come together in Court "K" in the Magistrates Court, Business Fighting Crime supplied screens for the Prosecutor and Magistrate (as well as lawyers for the accused) to view footage of suspected criminal incidents; many successful prosecutions have occurred as a result. Our thanks to the Prosecutor and her Supervisor in Court K, as well as the SAPS representatives who have co-operated in this partnership to secure convictions. Our involvement with the NPA has also included participation in training of Prosecutors and encouraging a better understanding of how to utilise the camera footage.

My thanks to all my colleagues on our Board for their support and contributions but especially to my predecessor Des Winship "Oom Des", whose calm and practical background knowledge and advice has been invaluable as well as my compatriot Chairman of Business Fighting Crime, Dem Kambouris, whose support of this initiative and attention to detail has made my job so much easier.

Thank you also to Nutan Bhikha the CEO of Safe City, Lucas Holtzhausen, Jason Herbert and the staff of IVision, as well as the Project Manager, Pieter van Rensburg and the camera maintenance operator, Provicom and their local maintenance staff member Riaan Holtzhausen who have worked so effectively to keep the "Eye of the Elephant" alert and effective at all times.

Finally I would like to thank all our sponsors and contributors who continue to make this operation a success; besides the Municipality whose support is so essential, I would like to acknowledge Hulamin, our lawyers Venn Nemeth and Hart, Auditors Deloitte and Touche, the Witness newspaper and all our other sponsors.

OVERVIEW OF ENTITY

MISSION AND VISION OF SAFE CITY

To prevent and detect crime in camera surveillance areas under the jurisdiction of the Msunduzi Municipality so as to encourage a crime free environment for the benefit of the Municipality's communities and to attract investors, promote development, job creation, tourism and to enhance the "City of Choice" status.

CAMERAS AS CRIME PREVENTION

Safe City is a Section 21 Company / Municipal Entity. Its main function is crime prevention. Presently it has 59 cameras in the Pietermaritzburg central business district and a movable camera that can be set up where crime is prevalent or during a mass gathering. Initially this was a Business Against Crime project covering 5 years from 2002, working in partnership with Msunduzi Municipality, SAPS, NPA and Chamber through BFC. In October 2009 ten more cameras were installed in the Freedom Taxi Rank by the Economic Development Department of Msunduzi Municipality. These cameras are also manned by our control centre, therefore totalling 70 cameras. These cameras are within the following areas:

- Alan Paton Drive (Durban Road) in Scottsville
- Northdale / Raisethorpe
- Edendale Hospital
- CBD bordered by Victoria and Prince Alfred streets and from East to West Streets



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COMMUNITY PARTICIPATION REPORTING CRIME VIA SMS

Two years ago, Safe City launched a Crime Reporting SMS number. Since the operation and SAPS presence in control centre is 24/7 and we wanted the communities participation in the combat of crime by reporting suspicious behaviour, drug dealings, loitering around ATM and banks, display of firearms, etc to the control centre where the Captain will respond and despatch a SAPS vehicle to the relevant area.

PERSONAL SAFETY WITH C-SAFE

This year at the Royal Show Safe City launched a personal safety panic alert cell phone system called C Safe accessible from a cell phone which enables a person to send out a silent message letting loved ones, Safe City and their security company know when he/she is in trouble and needs help. We have since then partnered with private security companies to assist Safe City with the response to this panic alert system.

CONTROL ROOM OPERATION: ISO ACCREDITATION

The control room operation is based on the Criminal Investigation Act and therefore all our policies and procedures adhere to this act. We have acquired an ISO International Accreditation of 9001:2008. This means that our operation is subjected to SABS evaluations during the year. Our operators also undergo performance appraisals a few times a year.

PARTNERSHIP WITH SAPS IN STRATEGIC OPERATIONS

In our daily operations we work with the SAPS to co-ordinate and help in their strategic operations in the city regarding taverns and their illegal operations, theft of motor vehicles, business burglaries, etc. Recently with the Mall attacks in Gauteng, we have met with all centre and security managers of CBD malls and have asked them to do a risk analysis and put a strategy in place if an attack should occur in their mall. Similarly we work with Cash Transit Companies during their operation in the CBD.

PARTNERSHIP WITH NPA FOR CONVICTIONS IN COURT

All the arrests captured on camera are recorded and this footage goes to court as evidence. This helps the prosecutor make a conviction and helps the magistrate in the decision of bail granting and what kind of sentence to be given according to the severity of the crime viewed from footage. At the beginning of this year it became necessary for Safe City to organise training workshops between SAPS, NPA, Legal Aid and Safe City operators to so that greater convictions are made in court. Prof. Mike Cowling facilitated two such workshops this year. Of the 103 criminal matters sent to court the following success was achieved:

- 40% guilty conviction
- 51% withdrawn by primarily complainants
- 3% Warrants of arrest issued
- 6% Pending.

EXPANSION INTO GREATER EDENDALE AREA

The Safe City project is now a centre of excellence and a model to be duplicated in other areas of the City of Choice. The Safe City operation is currently expanding into Edendale with the first capital budget of R 3,5 Million to install the infrastructure for this installation. This is a 4 year plan involving the installation of 15 cameras.



CHAPTER 2: PERFORMANCE HIGHLIGHTS

CONTROL CENTRE KEY PERFORMANCE INDICATORS

The success of the Safe City Project is dependant on many factors but the performance of the Control Centre on a 24hours / 7days surveillance operation is a vital component. The operation, which is ISO 9001:2008 certified and SABS approved comprises the following features:

The crime statistics for Pietermaritzburg are submitted to the control room every morning by the SAPS which are then compared with our statistics and thereafter plotted on street maps. The purpose of plotting crime is to enable operators to be more crime prevention orientated. Every suspicious incident noted on camera is regarded as an "Incident detected". The police officer (present in the control room 24/7) will determine whether a SAPS vehicle needs to be despatched to the scene of the incident. The yearly target for SAPS dispatches is 90% of Incidents Detected. A record is maintained of vehicle despatches as compared with Incidents detected. An arrest is made when the suspect is apprehended. what does this mean?

Frequently the progress of a crime is fully observed and followed via the camera network. We have a recording capacity of 21 days after which footage is automatically over- written.

Table 1 shows the annual statistics of the Control Centre from July 2008 to June 2009. In the summary below we have highlighted the relevant Key Performance Indicators. Every year annual targets are set for the control centre using the achievements of the previous reporting periods camera by camera. This percentage is increased annually to ensure continuous improvement. Individual targets are thereafter set for operators on which they are appraised on quarterly basis. The summary of annual performance against KPI is as follows:

SUMMARY OF KEY PERFORMANCE INDICATORS

| DESCRIPTION | TOTAL FOR YR | TARGET FOR YR | DIFFERENCE |
|--|--------------|---------------|--------------|
| 1) No of "Incidents Detected" | 2969 | 2370 | 599 (+25%) |
| 2) SAPS despatch required | 1588 | 2015 | -427 (-21%) |
| 3) Response by SAPS Unit | 1515 | 2015 | -500 (-25%) |
| 4) Arrests Effectuated | 188 | 324 | -154 (-45%) |
| 5) SAPS Response Time | 5.3 | 3.25 | -3.8 (-38%) |
| 6) Camera down time in % | 2.3 | 1 | -1.3 (-130%) |
| 7) Possible arrests (no case opened) – Graph A below | 413 | N-A | N/A |

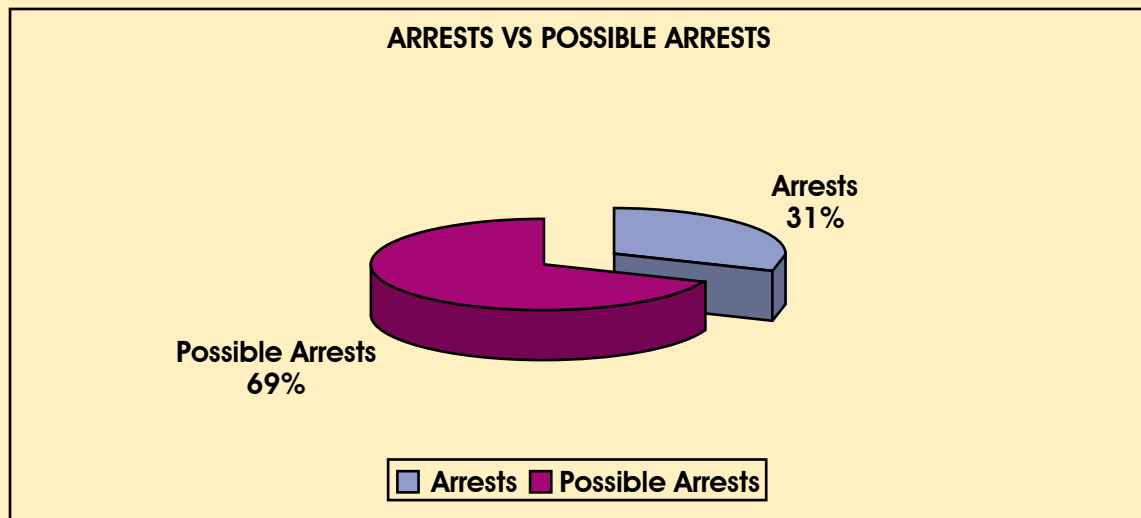
Of the incidents detected (1), we have found that we have exceeded our target by 599 incidents. This is due to the vigilance of our operators in the detection of suspicious behaviour. Although the target for despatches/ responses by SAPS have not been achieved SAPS dispatches (2) and (3) are also higher than they would otherwise have been. The control room also has direct communication with traffic, ambulance as well as the electricity and water departments so incidents of traffic violation, accidents or damage to Municipal property can be reported as well.

Arrests Effectuated (4) have declined by 154 mostly due to the fact that complainants are not interested in opening cases once their property has been recovered or in instances where crimes have occurred in the vicinity of a tavern complainants are in most cases under the influence of liquor and thus unable to proceed with a criminal proceedings. We also highlight 413 incidents where criminal cases could have been opened, but because of the factors mentioned the SAPS had to release the suspect/s. If we add these cases we would have exceeded our target for arrests by 259. This is again attributable to the vigilance of the operators.



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GRAPH A: POSSIBLE ARRESTS: NO CASES OPENED



Although our response time target (5) is 3.25 minutes, we only averaged 5.3 minutes. The average achieved however is across all crime categories A – C. The Police benchmark for Category A “serious crimes in progress” require a response time of 5 min, B crimes are serious crimes no longer in progress, with a response time of 15 min and C crimes are less serious crimes with a required response time of 25 minutes. The latter may not warrant a priority response by SAPS as compared with categories A and B. We are therefore achieving an excellent average but will continue to strive for better.

The camera downtime (6) is slightly over target largely due to delays in sourcing spares. During this financial year we received no capital budget, hence we could not refurbish the 15 cameras in Phase 1 which have now been operating for 6 years 24/7. This will be addressed in the new financial year as a capital budget has now been granted.

STATISTICS SHOWING DECREASE IN CRIME IN CBD

The following statistics reflect the percentage decrease in crime from 2002 (when Safe City commenced operations) to 2008. In view of the fact that crime was increasing by at least 10% year on year prior to 2002, these are a reflection of the success of the camera network.

Calendar Year: % DECREASE (-)

| Type of Crime | 2003 | 2004 | 2005 | 2006 | 2007 | 2008 |
|-----------------------|-------|-------|-------|-------|-------|-------|
| Assault Common | -3.9 | -25.5 | -27.4 | -11.7 | -29.4 | -49 |
| Indecent Assault | -0.1 | -10.6 | -25.4 | -30.1 | -60.6 | -60.4 |
| Attempted Murder | -29.3 | -27.6 | -32.7 | -18.9 | -18.9 | -31 |
| House Robberies | -9.6 | -35.8 | -36.3 | -22.7 | -33.5 | -39.2 |
| Robbery In Transit | -35.7 | -34 | -43 | -13.4 | -48 | -36.8 |
| Robbery Common | -33.3 | 3.7 | -22.2 | -29.6 | -55.5 | -55.5 |
| Total Contact Crimes | -3.7 | -17.1 | -23.3 | 27.3 | -37.3 | -39.2 |
| Total Property Crimes | -20.8 | -34.8 | -41.8 | -34.6 | -46.1 | -50.5 |



CHAPTER 3: HUMAN RESOURCES AND OTHER ORGANISATIONAL MANAGEMENT

CONTROL ROOM OPERATION AND REPAIRS AND MAINTENANCE CONTRACTS

Safe City has outsourced both these functions. Tenders were put out at the beginning of the project and these functions have been performed by the same companies throughout the whole period in order that we could benefit from the experience and expertise of the successful contractors. Safe City however, is in the process of re structuring and taking on these operations in house effective March 2010.

Control Room Operation: Outsourced

The control room operation is 24/7 and is manned by the following staff on 3 shifts. All of them are registered with PSIRA (Private Security Industry Regulatory Authority). They contribute towards pension, but no medical aid is offered to the staff. The staff are graded D, C, B, and A according to the nature of the work which they perform. Although the staff should be paid according to PSIRA rates, presently they earn about 30% more than PSIRA rates.

The control room staff undergo training as to how to detect suspicious behaviour from individuals who are about to commit a crime.

The following categories of staff are in the control centre:

- General Manager: PSIRA GRADE A - who is present for 4 hours a day in the control centre
- Operational Manager: PSIRA GRADE B
- Operator Supervisors (3): PSIRA GRADE C
- Operators (18): PSIRA GRADE D
- Standby Operators (8): PSIRA GRADE D

Because the control room operation has acquired an ISO 9001: 2008 Accreditation, it is SABS evaluated a few time a year. Our operators are also given monthly targets and are subject to performance appraisals a few times a year.

Repairs and Maintenance: Outsourced

There are 2 technicians that are on site everyday to do all the repairs and maintenance for the 70 cameras. These staff are also PSIRA registered.

Expenditure on Contracts

Our monthly payments for the Control room staff consultancy are in accordance with the Government Gazette and we pay annual increments accordingly.

We pay a monthly maintenance fee of R 250 per camera (60 in total) in terms of our maintenance contract.

Expenditure on spares increased substantially this financial year in order to achieve minimum downtime.

ADMINISTRATION SALARIES

There have been 2 staff on Safe City payroll (the payroll preparation is also outsourced). Since the secretary resigned in April 2009, her position has not been filled due to the restrictions on the Safe City budget. Part of the CEO's package covers travel allowance and any pensionable benefit. The CEO has taken out her own private pension.



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CHAPTER 4: AUDITED STATEMENTS AND RELATED FINANCIAL INFORMATION

SAFE CITY BUDGET AND OVER EXPENDITURE

Safe City was again allocated an operating budget of R 3 000,000 for the year (identical with the allocation for 2007). There was no capital budget.

Enclosed are extracts of the Audited Financial Statements, pages 7 (Statement of Financial Position as at 30 June 2009), 16 (Statement of Financial Performance for the year ended 30 June 2009) and 8 (Cash Flow Statement for the year ended 30 June 2009) Audited by Deloitte and Touche.

Over Expenditure on Repairs and Maintenance Account

The over expenditure on repairs and maintenance which amounted to R 554,088 (exclusive of vat) on Page 16 of the audited financial statement should be highlighted. In addition the Cash Flow Statement on Page 8 reflects a deficit of R 308,184. This is mainly due to spares required and repairs done to cameras because no capital refurbishment was provided. These 15 cameras have now been operating 24/7 from Jan 2003 when the first phase commenced. They now need to be refurbished urgently. Spares have to be imported from overseas and due to the exchange rate, the expenditure was greater than anticipated. All of these additional costs have been covered through our reserves which originally were intended to cover the committed costs attributable to the notice periods we agreed with our sub-contractors.

Savings on Admin Salaries Account

There has been a savings for 2 months on the secretary's salary for this financial year totalling R13 600.

CONCLUSION

Safe City is a centre of excellence as a CCTV surveillance system operation that has acquired an ISO International Accreditation 9001: 2008 with regard to the Criminal Procedure Act. It is in the process of now expanding into the greater Edendale area. We are in partnership with the Pietermaritzburg Central Police Station as we work together with SAPS in crime intelligence and strategic operations in the city. Our statistics show that we have brought crime down in the Pietermaritzburg central business district, making it a safer City of Choice.

REPORT SUBMITTED BY: CEO: Safe City (PMB) – Ms Nutan Bhikha



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CITY OF CHOICE



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